



Larus Energy Limited  
ACN 140 709 360  
Level 8  
65 York Street  
SYDNEY NSW 2000  
Australia  
Telephone: + 61 2 8215 1519  
Facsimile: + 61 2 8215 1600  
Web: [www.larusenergy.com.au](http://www.larusenergy.com.au)

## SHAREHOLDER UPDATE

1 July 2011

### **PPL 326 - INDEPENDENT GEOLOGIST UPDATE REPORT**

The Company engaged RPS Energy Pty Ltd ("RPS") to review the data acquired by the Company in relation to its PNG tenement – PPL 326 ("PPL 326") and to review the findings made by the Company in relation to that data.

RPS had previously reviewed the then available data in relation to PPL 326 and produced a report dated 29 March 2010 ("Initial Report"). A copy of the Initial Report can be viewed on our website – [www.larusenergy.com.au](http://www.larusenergy.com.au).

The latest report from RPS dated 1 July 2011 ("Update Report") focuses on developments since the issue of the Initial Report. In preparing the Update Report, RPS has had the advantage of also reviewing the draft technical paper which has been prepared by Dr Michael Swift, the Company's Exploration Manager. Dr Swift's draft paper has not been published and is currently going through a peer review process and provides a compelling argument, supported by data, as to why PPL 326 is considered highly prospective. That paper is not expected to be published for a number of months, but when it is, a copy will be uploaded to the Company's website.

As the Update Report refers to a lot of material in Dr Swift's as yet unpublished paper, we will not upload the Update Report to the Company's website at this point in time. That will be done later. However so that you can appreciate the findings of RPS in the Update Report, which supports that there has been a significant de-risking and increase in prospectivity of PPL 326 since they issued the Initial Report, we have reproduced in full the first 4 pages of the Update Report as an attachment to this Shareholder Update. That extract includes the Executive Summary in its entirety. It should be noted that RPS were provided with the full dataset (including all seismic) compiled by Larus and that they independently conducted a comprehensive review and interpretation of that data. Their finding concurred with the views and outlook of Larus.

The Company believes the Update Report provides, as an independent view, strong support for the Company's position that the data supports that PPL 326 sits in a new basin separate from the Papuan Basin which is yet to be drilled and an upgrade from no hydrocarbon prospectivity to highly prospective.

**PROGRESS REPORT  
PPL 326 EASTERN PAPUAN BASIN  
PREPARED FOR  
LARUS ENERGY LIMITED**



Prepared by:

Prepared for:

**RPS**

38 Station Street, SUBIACO WA 6008  
SUBIACO WA 6008

T: 618 9211 1111  
F: 618 9211 1122  
W: [rpsgroup.com.au](http://rpsgroup.com.au)

**Larus Energy Limited**

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**Progress Report**  
**PPL 326, Eastern Papuan Basin,**  
**Papua New Guinea**

**Prepared for**  
**Larus Energy Limited**

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DISCLAIMER

The opinions and interpretations presented in this report represent our best technical interpretation of the data made available to us. However, due to the uncertainty inherent in the estimation of all sub-surface parameters, we cannot, and do not guarantee the accuracy or correctness of any interpretation and we shall not, except in the case of gross or wilful negligence on our part, be liable or responsible for any loss, cost damages or expenses incurred or sustained by anyone resulting from any interpretation made by any of our officers, agents or employees.

Except for the provision of professional services on a fee basis, RPS Energy Pty Ltd does not have a commercial arrangement with any other person or company involved in the interests that are the subject of this report.

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	PREPARED:	CHECKED:	APPROVED:
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## 1. EXECUTIVE SUMMARY

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Larus Energy Limited (“Larus”) contracted RPS Energy Pty Ltd (“RPS”) to provide a progress report on PPL 326 which is held by Larus in Papua New Guinea (PNG).

In response to the request, RPS Energy Pty Ltd (“RPS”) has completed an Independent evaluation on an asset held by Larus Energy Limited (“Larus”) in PNG for inclusion in a Permit Update. The Update is largely based on newly obtained data, further interpretation by Larus and the Independent Geologist’s Report PPL 326, Eastern Papuan Basin, Papua New Guinea issued in March 2010.

PPL 326 resides within the eastern frontier part of the Eastern Papuan Basin and straddles an onshore/offshore region of over 16,752 square kilometres between Port Moresby and the south eastern tip of the Papuan Peninsular. The licence is well located with respect to road and sea transport and the western limit is in close proximity to the capital, Port Moresby.

The interpretation by Larus of the 1981 Sonne seismic data which has recently been located by Larus and has been used to provide a regional grid over the offshore area and a high resolution seismic data set that was acquired by Fugro in 2006 has been reviewed. The independent evaluation is based on a draft paper supplied by Larus, namely, “Torrens Basin: A new Mesozoic Petroleum System in Papua New Guinea. Dr Michael Swift Larus Energy Ltd 1 June 2011”

The main conclusion from the Interpretation is the identification of what is postulated to be a basin separate from the Papuan Basin and hence a newly identified basin is proposed for the south eastern region of Papua New Guinea. The proposed name of the new basin is the Torrens Basin and it encompasses the regions of the Eastern Papua Plateau and the Papuan Plateau. The significance of this basin is that it would upgrade the prospectivity of the block. The new seismic data obtained has allowed seismic stratigraphic analysis based on the major unconformities. The seismic geometries indicate an initial rift basin as well as a later over thrust geometry in the compressional zone to the east. The main implications of this interpretation is that a Mesozoic petroleum system containing both source and reservoir is likely to exist and that trap formation and structuring has occurred during the Cenozoic. The location of the proposed Torrens Basin would make it the most easterly of the Thetyan Basins and is to date undrilled. Besides the identification of the Torrens basin some tentative leads have been identified on the present data set and the details of these are briefly addressed in this update. Further seismic acquisition is planned both onshore, where no data exists, and offshore in the potentially prospective areas identified by Larus.