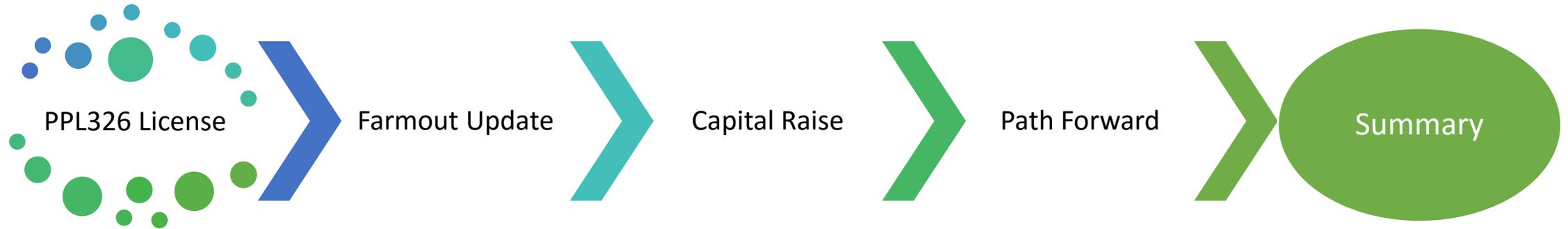


Larus Energy Limited

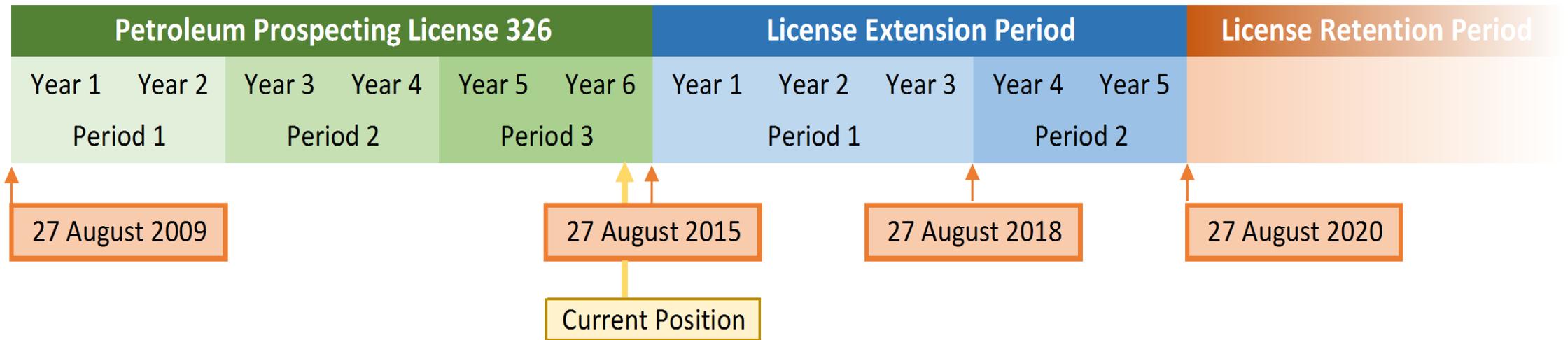
ANNUAL GENERAL MEETING, 11TH AUGUST 2015
COMPANY UPDATE

ASHLEY MANGANO, CHIEF EXECUTIVE OFFICER

Contents



PPL326 License, Progression



PPL326 License, Work Program Variation

- Formal approval of license variation request received February 2015
- Work program for current period, ending August 2015, revised as follows:
 - Remove exploration well(s);
 - Add 100km of seismic acquisition (400km total)
- Variation approval was critical to de-risk the license progression
- Approval of variation request highlights good standing of Larus to date and continued support for junior oil and gas explorers in PNG

The image shows a formal letter on the letterhead of the Minister for Petroleum and Energy, Papua New Guinea. The letter is addressed to Mr. Ashley Mangano, Chief Executive Officer of Larus Energy Limited. The subject of the letter is the approval of license variation for PPL 326 for years 3, 4, 5, and 6. The letter outlines three specific conditions for approval: deferring seismic data acquisition, adding 100km of seismic acquisition, and dropping two well commitments. The letter is signed by the Minister and includes contact information for the National Parliament and the Petroleum Division.


MINISTER FOR PETROLEUM AND ENERGY

Mr. Ashley Mangano
Chief Executive Officer
Larus Energy Limited
Level 8, 65 York Street,
SYDNEY, NSW 2000
Australia

Date: 22nd December 2014
Ref: PPL 326

Dear Mr. Mangano,

SUBJECT: APPROVAL OF PPL 326 LICENCE VARIATION FOR YEARS 3 & 4 AND YEARS 5 & 6

I refer to your revised submission dated 22nd May 2014, requesting approval to vary seismic acquisition and licence drilling commitments of PPL 326.

Having considered a Report from the Petroleum Advisory Board regarding the above, I **HEREBY** approve the following:-

(i) **Defer acquisition of 300km of seismic data (onshore or offshore) to Years 5 and 6 of the licence term from Years 3 and 4;**

(ii) **Include an additional 100km of seismic acquisition (onshore or offshore) to Years 5 and 6 of the licence term;**

(iii) **Drop two (2) well commitments (one onshore and one offshore) for the current six-year licence term.**

Please note seriously that you are hereby cautioned to ensure timely lodgments of all statutory reports and provide up to date financial reports from this point in your licence and onwards.

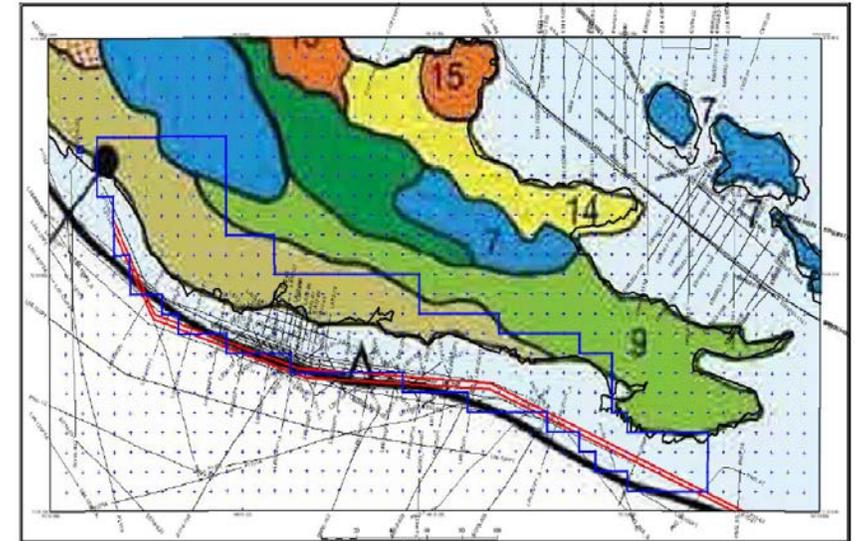
P.O. National Parliament
Wagant, NCD
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Telephone : (675) 327 7305
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Port Moresby, NCD
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PPL326 License, Exploration Activities

- License commitments allowed optionality for onshore or offshore seismic acquisition
- Onshore seismic program suspended in lieu of offshore program, due to timing
- 800km 'Paluma' offshore 2D deepwater seismic successfully completed with SeaBird Exploration
- Rationale and objectives for Paluma seismic:
 - Gain further understanding of the wider acreage and confirm relinquishment blocks
 - Further de-risk and define existing prospects
 - Complete license commitments, removing risk associated with exploration schedule



PPL326 License, Current Standing

Petroleum Prospecting License 326						
Date	27 August 2009 - 26 August 2011		27 August 2011 - 26 August 2013		27 August 2013 - 26 August 2015	
Permit Year	1	2	3	4	5	6
Work Commitments	Aeromagnetic and Gravity Data		Acquire 300km of seismic data		Acquire 400km of seismic data	
	Geological and Geophysical Mapping and Review		Acquire further 300km of seismic data			
	Remote Sensing Data Interpretation					
	Plan Seismic Acquisition Program					
Completed Program	Aeromagnetic and Gravity Data	Baramata Deep Water Seismic Acquisition (1000km)	Abau Offshore Seismic Survey Acquisition (300km)	Publish EABS4 Technical Study	Paluma Offshore Seismic Survey Acquisition (800km)	Planned Paluma Seismic Survey (800km)
	G&G Mapping and Review	Geological and Geophysical Technical Studies	Geological and Geophysical Technical Studies	Planned Torres Onshore Seismic Survey	Prospects and Leads Inventory Updated	Geological and Geophysical Technical Studies
	Remote Sensing Data Interpretation	Prospects and Leads Inventory Updated	Prospects and Leads Inventory Updated	Commenced Torres Onshore Seismic Survey	Planning Vekwala Shallow Offshore Well	Planning Vekwala Onshore Well
	Purchase Furgo Seismic Data (Offshore)	Planned Abau Offshore Seismic Survey	Opened Kupiano Office (Larus Energy PNG)	Line Cutting for Torres Seismic Survey		
License Status	Good Standing		Good Standing		Good Standing	

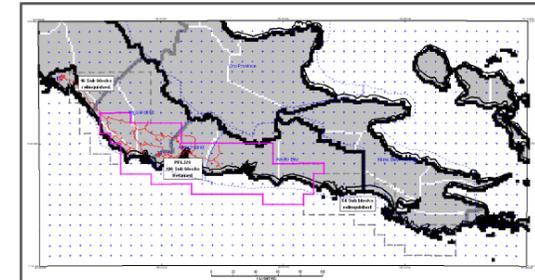
PPL326 License, Extension Notice

- In May 2015, Larus gave notice to the Department of Petroleum and Energy of its intention to transition into the 5-year Extension Period
- This document included:
 - Full details of historical work program and finances
 - Updated technical understanding of PPL326
 - Details of 50% sub-blocks to be relinquished
 - Forward 5-year work program (minimum)
- Highly prospective central zone in PPL326 allows for negligible expected relinquishment of prospective areas



**PETROLEUM PROSPECTING LICENSE 326:
50% RELINQUISHMENT
AND
FIVE YEAR EXTENSION DOCUMENT**

12TH MAY 2015



TO: 100 Sub blocks, 8417.51 square kilometres

CONTENTS:

- Attachment A – Work Program
- Attachment B – Technical Qualifications of Applicant and Employees
- Attachment C – Technical Advice available to Applicant
- Attachment D – Financial Resources available to Applicant
- Attachment E – Most Recent Annual Report of Applicant
- Attachment F – Other Matters Applicant wishes Minister to Consider

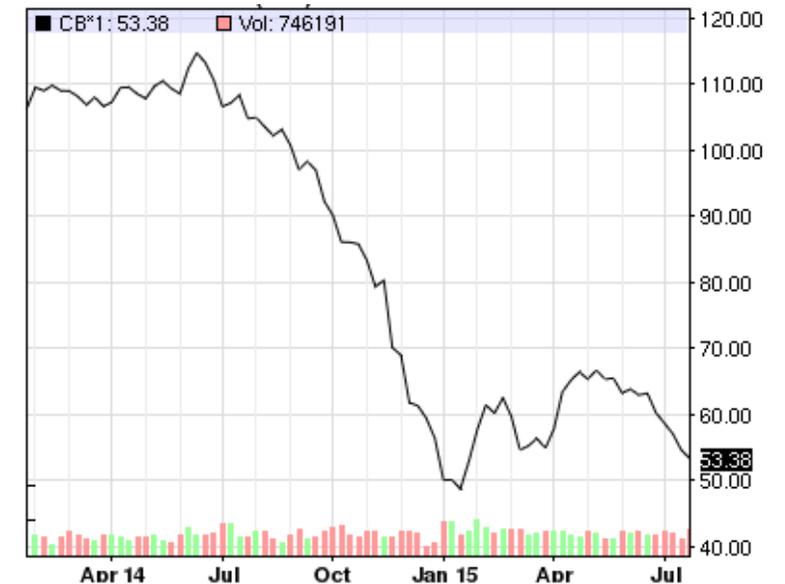
PPL326 License, Forward Work Program

PPL326 License Extension, Minimum Forward Program						
Extension Period	Period 1			Period 2		
Extension Year	Year 1	Year 2	Year 3	Year 4	Year 5	
Minimum Work Program	One Exploration Well (Onshore or Offshore) Geological and Geophysical Technical Studies Geological and Geophysical Mapping and Review Prospects and Leads Inventory Development			One Exploration Well (Onshore or Offshore)		

- Focus on drilling, leading to maximum retention of acreage on transition into Retention Period (August, 2020)
- Ultimately driven by terms secured under any potential farm-out agreement
- Flexibility built in to forward program both from time and work perspective
- Further seismic if required as a drilling pre-cursor by partner

Farmout, Macro Market Conditions

- The oil price has experienced a significant change over the last 12 months; characterised by 3 periods:
- **July 2014 – January 2015**, 50% oil price reduction:
 - Weaker demand: reduced economic activity
 - Stronger supply: Iraq and Libya maintained output amid political turmoil
 - Stronger supply: US production increased
 - Stronger supply: OPEC (Saudi Arabia) changed from price maintenance to market share approach to production
- **January 2015 – May 2015**, oil price increase
 - Stronger demand – greater than expected demand in China
 - Stronger demand– reduced gasoline prices led to increased usage in US
 - Weaker supply – reduction in oil inventories, slight reduction in US production
- **July 2015 – Current**, 20% oil price reduction once again:
 - Demand uncertainty around China and Greece
 - Supply uncertainty around US production
 - Supply uncertainty around future Iranian production
- The first half of 2015 afforded hope for an oil price recovery in the second half of the year; now appears highly increasingly unlikely
- Oil price visibility beyond the short term remains non-existent



Farmout, Market Conditions, Industry Reaction

Cost Reduction

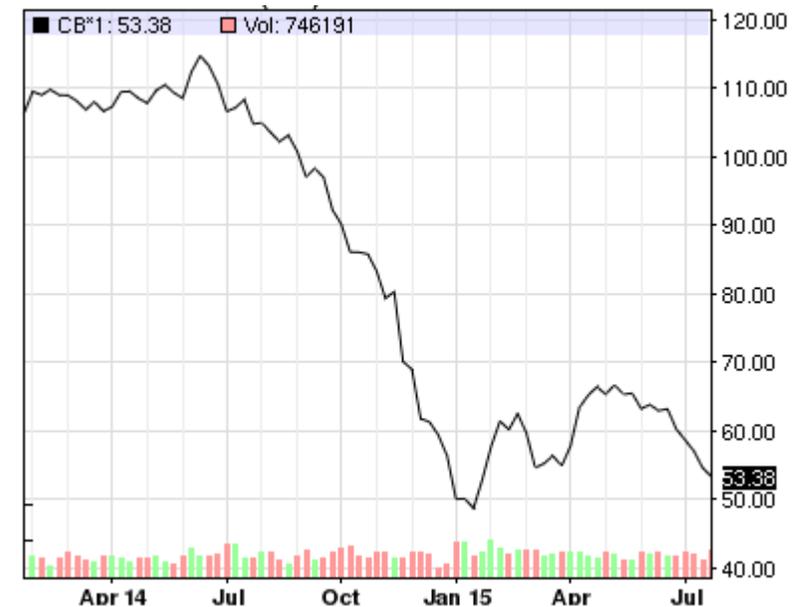
- Cut corporate and overhead costs
- Reduce headcount
- Define cheaper specification options
- Reduce supply chain costs / renegotiate service contracts

Spending Reduction

- Defer capital expenditure
- **Reduce discretionary spending in exploration** and research
- Shut down non-critical activities
- Push on operational improvements

Prioritisation

- Price hedges against further decrease in oil
- **Slow down new entry and delay commitments**
- Continue disposal programs where possible (companies can't commit capital to assets they already own)
- Renegotiate license commitments, tax rates, and contracts



Farmout, Current Status



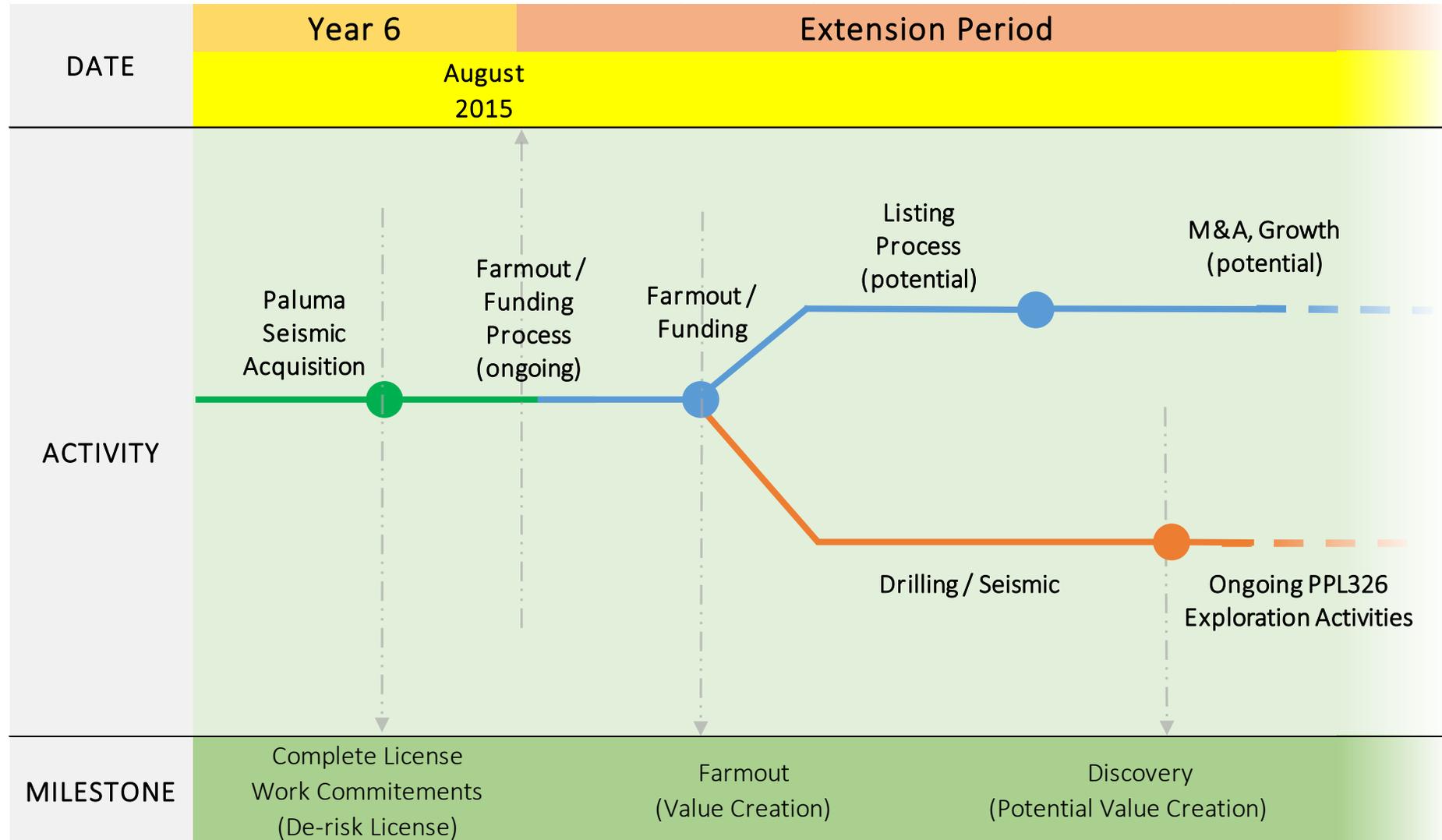
- Strong initial interest in PPL326, driven by:
 - World class potential hydrocarbon accumulations; arguably the best exploration acreage in PNG
 - Multiple prospects and leads derived from multiple play types
 - Quality exploration work completed to date
 - Exploration program flexibility moving forward; no near term work commitments
 - PNG in investment spotlight from PNG LNG (Exxon, Oilsearch) and Papua LNG (Total, InterOil)
- PPL326 has attracted interest from the all the right companies; discussions and due diligence with potential farminees continue
- Current market conditions impose constraints on potential farminees with reduced or nil exploration budgets and acquisition mandates
- While we have a strong asset and we're in discussions with the right companies, market conditions may lead to a longer than initially expected farmout process

Finance, 2014 Profit & Loss Performance

Profit and Loss	Note	2014	2013
Revenue	5	\$869,137	\$2,032
Expenses		-\$1,102,031	-\$2,618,317
Administration costs		-\$44,267	-\$360,266
Corporate costs		-\$389,101	-\$470,133
Depreciation	6	-\$56,357	-\$77,540
Employment costs	6	-\$458,432	-\$1,545,673
Foreign currency gain		\$0	-\$186
Investor and public relations		\$0	-\$1,927
Occupancy costs	6	-\$25,650	-\$54,302
Exploration expenditure		-\$128,224	\$0
Other expenses		\$0	-\$108,290
Loss from ordinary activities before income tax expense		-\$232,894	-\$2,616,285

- Operational loss of \$232,894 in 2014, compared to a loss of \$2,616,285 in 2013 (net after-tax)
- Driven by \$1,516,286 reduction in expenditure during the 2014 financial year – ongoing focus
- Cash-flow from activities in 2014 was a net cash inflow result of \$77,416 compared with a cash outflow of \$420,428 in 2013
- Cost efficiencies include:
 - Corporate and Administration costs down 48%
 - Employment costs down 70%
 - Occupancy costs down 53%

Path Forward, Larus Energy



Summary

- Significant challenges successfully completed
 - Formal approval for work variation received
 - PPL326 license work commitments now complete
 - Further understanding of PPL326 geology from Paluma Seismic survey
 - Financial efficiencies have been made, continued focus moving forward
 - Notice for Extension submitted
- Strong position moving forward
 - No near-term work commitments
 - PPL326 fundamentals are still in place, in not improved
 - Arguably the best exploration asset in PNG
- Ongoing focus on farmout
 - Market conditions currently unfavourable, patience required
 - Discussions continue with the right companies
 - Upcoming AAPG conference
- Placement re-opened for further investment opportunity
 - Issue price captures current market conditions discount



