

15th May, 2015

SHAREHOLDER UPDATE ON ACTIVITIES

Highlights

- **Positive initial interpretation of Paluma seismic survey, indicating:**
 - **Increased resources potential on existing deep Mesozoic prospects and leads, including Sunday and Vekwala**
 - **Further evidence confirming the geological model underpinning the prospectivity of PPL326**
 - **Larus will retain its current prospects and leads inventory subsequent to the legislated 50% relinquishment on 26th August 2015**
- **PPL326 Extension Notice submitted to Department of Petroleum and Energy (PNG), securing license for a further 5 years;**
- **Placement closing Wednesday 27th May;**

Dear Shareholder,

Larus Energy Limited ("Larus" or the "Company") is pleased to provide the following update on activities.

Paluma Seismic Acquisition

Following the successful completion of the 800 line kilometre Paluma seismic survey, the Company is pleased to announce the survey has exceeded technical expectations and the initial interpretation report has produced encouraging geological results. Initial interpretation results are summarised as:

Increased hydrocarbon resources potential in Sunday and other deep Mesozoic prospects and leads

Initial interpretation of the Paluma seismic survey, specifically the two new seismic lines across the Sunday prospect, has led to greater geological confidence in the robustness of the Sunday anticline. The initial interpretation shows evidence the Sunday prospect, and subsequently all other deep Mesozoic anticlines including Vekwala, were formed through a sequence of a fold compressional event followed by a fault thrust event. This implies closure of all deep Mesozoic anticlines is potentially

Larus Energy is a frontier oil and gas exploration company committed to maximising results through the effective identification, acquisition, exploration and management of quality conventional oil and gas assets.

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even larger than initially thought, resulting in an increase in potential hydrocarbon volumes across the deep Mesozoic prospects and leads inventory.

Further evidence to confirm the geological model underpinning the prospectivity of PPL326

The Paluma survey has provided evidence which further supports the geological model underpinning the prospectivity of PPL326. Towards the eastern boundary of the license area the survey displays what appears to be volcanic rocks at a shallow depth in the section. This further supports the proposed seismic-stratigraphic interpretation, indicating Larus' concept of a petroleum system is correct, bolstering hydrocarbon prospectivity in the proposed Torres Basin.

Confirmation Larus will retain its current prospects and leads inventory subsequent to required 50% relinquishment

Papua New Guinea oil and gas regulation requires license holders to relinquish 50% of the acreage held prior to moving into the subsequent five (5) year extension period. One main objective of the Paluma survey was to confirm both the PPL326 license is comprised of a central highly prospective zone, and subsequently identify the blocks to be relinquished as part for the transition in to the extension period.

The Paluma seismic survey, consisting of two (2) 400km long regional lines from the eastern boarder of the license area to the western border and back, has confirmed Larus' understanding of the regional geology across the PPL326 license which is now confirmed to consist of a highly prospective central zone, a highly faulted westerly region and a region of no Mesozoic rock in the east absent of thrust anticlines.

Larus is pleased to announce that while 50% of the 200 sub-blocks will be relinquished on 26th August 2015, all of the current 48 prospects and leads will be retained, with the exception of 6 weak leads.

PPL326 Extension Notice

Following successful completion of Paluma seismic and subsequent completion of all PPL326 initial six (6) year work commitments, the Company notes it has lodged a license Extension Notice with the Department of Petroleum and Energy (PNG), confirming the Company will relinquish 50% of the sub-blocks and extend the license for the additional five (5) year term.

This is a major milestone for Larus, ensuring the future of the license is secure for another five (5) years.

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Placement

Larus confirms the current capital raise (Placement) of 60,000,000 shares at \$0.05 will end at close of business on Wednesday 27th May.

The Company would like to thank the many current and new shareholders that have continued to invest in the future of Larus Energy through the current Placement.

Significant progress has been made towards reaching the \$3 million target for the current Placement, and availability remains for unsubscribed shares. The Company notes that the Placement is open to all investors that meet the investment criteria. Eligible parties are sophisticated investors within the meaning of section 708(8) of the Corporations Act, professional investors within the meaning of section 708(11) of the Corporations Act, or parties that are eligible for exclusion from the disclosure document requirement under 708(10).

For subscription to the offer, please contact:

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