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SHAREHOLDER UPDATE

Dear Shareholder,

As we are now close to finalizing the documentation for the Convertible Note from Cinu Investments our entire focus is on funding and finalizing our strategy to complete in-fill seismic and a drill in relation to our most advanced prospect, Vekwala, with the aim of drilling in the first half of 2014.

Detailed planning/negotiation is also underway, driven by Colin Glazebrook our Technical Director, to finalise contracts and logistics for the planned seismic, and the subsequent drilling program.

We have issued funding mandates to several organizations that are focused, variously, on funding the seismic/drill, by way of direct equity investment, and/or by way of a JV/farm-out focused on Vekwala, which has been defined in terms of the relevant sub-blocks. The Directors believe the best way to leverage the value of the company is by doing separate deals related to our various prospects. Mandates have been issued to:

- Somerley, Hong Kong/Beijing
- SCM/EIG
- Empire Securities, UK/Middle East
- Empirical
- Tankstream
- Calibre
- Global Investment Partners
- Kina Securities, PNG/Malaysia
- BSP Capital, PNG

We are also in discussions with a number of high net-worth individuals as potential cornerstone investors. We have also initiated discussions with an existing shareholder to pursue a backdoor listing as another funding option.

Our Data Room has been extended to include the original seismic data, in addition to peer, independent and other assessments, which is allowing potential investors to conduct their own modeling of our prospects. Invitations to our Data Room have recently been granted to:

- Thani Investments, Dubai
- InterOil, PNG
- National Petroleum Company, PNG
- Capitalinc, Indonesia

- EIG
- Empire Securities
- MRDC PNG
- Kina Securities
- Red Emperor
- Somerley
- Osaka Gas

In addition, a number of major O&G companies have previously had access to our Data Room and they include:

- Oil Search
- Total
- Talisman
- Heritage Oil
- Impex

Although the previous management rejected an investment proposal by Heritage Oil, we have now re-kindled the discussion.

The Directors have spent considerable time in PNG raising the profile of Larus and consolidating our standing in PNG. We have had several meetings with senior ministers including the Prime Minister and other relevant ministers and bureaucrats within the DPE and IPBC, the Regional Governor, local members and landowner groups.

Our standing in PNG is fundamentally important to our capacity to develop PPL 326 and to maximise the value of the company to our shareholders.

The Directors would like to assure all our shareholders that they remain committed to delivering the strategy outlined earlier in the year.

Wishing you all a Merry Christmas and all the Best for the New Year.

John Hewson
Executive Chairman