

LARUS ENERGY

A PROMISING FRONTIER

Australian oil and gas junior Larus Energy is confident that it will find the right partner to explore and develop its PPL 326 tenement in southeastern Papua New Guinea.

LARUS ENERGY CEO Ashley Mangano said he was excited about the future of the company's PPL 326 tenement in Papua New Guinea – and challenged anyone to find a better frontier exploration project in the region.

Larus hopes to capitalise on Asia's demand for oil and gas.

The oil and gas junior is in the process of finding a farm-in partner to capitalise on what the company has recorded as a reservoir of up to 50 trillion cubic feet, with 14 companies currently involved in data room discussions and appointing teams to review the seismic information.

PPL 326 has a similar setting to

other discoveries and fields in PNG with complex tectonic history and stretches from Port Moresby towards the south eastern tip of the Papuan Peninsula, covering 16,000 square kilometres and straddling on and offshore acreages.

During an interview with *PNG Report* in June, he said: "At this





CEO Ashley Mangano hopes to find a strategic partner for PPL 326.

point we're very, very excited at where the company's at and we see this as a big opportunity for both PNG and Larus, in that the prospects and leads that we have are all certified by a third party report which indicates hydrocarbon prospectively similar or better to the PNG LNG project.

"The quality of the work we've done has enabled the identification of our current prospects and leads inventory on Larus' books up to 50tcf, which is monstrous.

"The clarity and the definition of the prospects and leads have subsequently allowed a third party report to be generated and put our two largest prospects into the 1-in-10 range in terms of risk, and for a frontier basin that's as good as it gets."

Describing the tenement as the "cream of the crop", Mangano stresses the importance of finding a strategic partner to progress the project from exploration all the way to development.

"For us the partner selection is critical and we want someone who has the expertise – not necessarily in PNG – but globally on similar projects, and has the track record of executing projects safely and timely," he said.

Although not able to comment specifically on the 14 farm-in candidates engaged in the data room analysis, Mangano said they represented the breath of industry operators – from super majors, national oil companies to independents.

"We're probably half way through the farm-out process and we're very

encouraged with the interest that we've had in it so far," he said.

"We are having discussions and management meetings with these companies that have signed confidentiality agreements, and we're guiding them through the data room where they've allocated teams and looking at the data."

UPSIDE FOR INVESTORS

Larus have engaged global oil and gas acquisition and divestiture experts Moyes and Co to facilitate the farm-out process, and have hit a number of operational milestones which bodes well not just for the project but for investors as well.

"We're very confident in the asset, not only from an exploration but an investment standpoint and the capital requirements to execute the farm-outs and the work commitments won't be too onerous," Mangano said.

"It's unique in its size and it's on the high end, so we're confident in terms of peoples investment portfolio, PPL 326 will rank high.

"We are happy with the work that's been done to date and we don't see a further need to define those prospects and leads prior to drilling."

Larus' status as an unlisted public company may have buffered the company from the tough market conditions experienced by the oil and gas industry.

Despite not reaching its \$A3 million capital raising target, current shareholders have left the company enough funds until the execution of the anticipated farm-out agreement.

"We've had a positive response

from our shareholders but we're finding it a challenge to raise funds in the current climate," Mangano said.

"Some of the feedback we got is that the money we've spent and the work that we've done for a company of Larus' size has been exceptional, and that has certainly boded well for the farm-out and capital raising."

FUTURE PLANS

Although the project is still in its exploration phase, Larus is setting itself up to satiate some of the Asia Pacific region's thirst for oil and gas.

The company's two main prospects in PPL 326 – Kuala and Sunday – have enough capacity for a standalone project, meaning Larus and its yet-to-be-determined farm-in partner would oversee the entirety of the extraction, processing and sales process.

Doing so would not be small undertaking, as all the associated-infrastructure would need to be built and maintained.

There is a possibility for Larus to use or attach its facilities to the existing PNG LNG or even to the anticipated Elk-Antelope project (now known as the Papua LNG project) infrastructure, should the prospects indeed hold gas.

But should they contain oil, then it would significantly change how Larus would approach developing PPL 326.

"Kuala and Sunday are 10 and 12tcf respectively, which is more than enough for a standalone project and given their size and the leads we have, we see this as a separate project to the current PNG LNG project," Mangano said.

“By standalone I mean all midstream and downstream facilities to produce and sell the LNG, if it is LNG; but if its oil – which it could actually be – then that is a monstrous game changer.”

“Further down the track we expect we would build the pipeline, build a facility and sell [LNG or oil] separately. If for whatever reason we see the PNG LNG project as a positive, then potentially something could be piggy-backed if that was deemed to be the best path forward.”

COOPERATION

Working with PNG’s Department of Petroleum and Energy has been a positive experience for Larus, with Mangano commending their professionalism and describing the relationship as “exceeding expectations”.

While larger oil and gas companies have the resources and capital to offset any additional costs related to the licence approvals process, companies the size of Larus need to keep abreast of things in order to comply with the necessary provisions.

“It has exceeded my expectations in terms of efficiency and response

time and we found them firm, diligent and understanding of business requirements,” he said.

“[The department] have been very strict that work commitments are met and we found the government amenable to working Larus to make sure the work gets done.”

“For us being a junior, I think it’s even more challenging than the majors and super-majors in the country,” he said.

“To secure investment – from a shareholder standpoint – there is a

believes many projects should “go above and beyond” royalties and has identified the supply of domestic gas as a way of positively contributing to PNG’s economy.

“The individual companies executing those projects should have much of a positive influence as possible on the country and the local community,” he said.

“One of those would be domestic gas supply and I certainly see that benefiting PNG, and the company would certainly be interested in

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ASHLEY MANGANO
CEO, LARUS ENERGY

constant need to be on top of all of the compliance and approvals because we need everything done before we can draw funds or raise money.”

Although many resource companies have some form of community engagement, Mangano

exploring those opportunities.”

At the time of writing, Larus had called an AGM to be held in August to update shareholders on the progress of the farm-out, and to review the developments in PPL 326 which have occurred in the first half of the year. **PNG**

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