

## SHAREHOLDER UPDATE

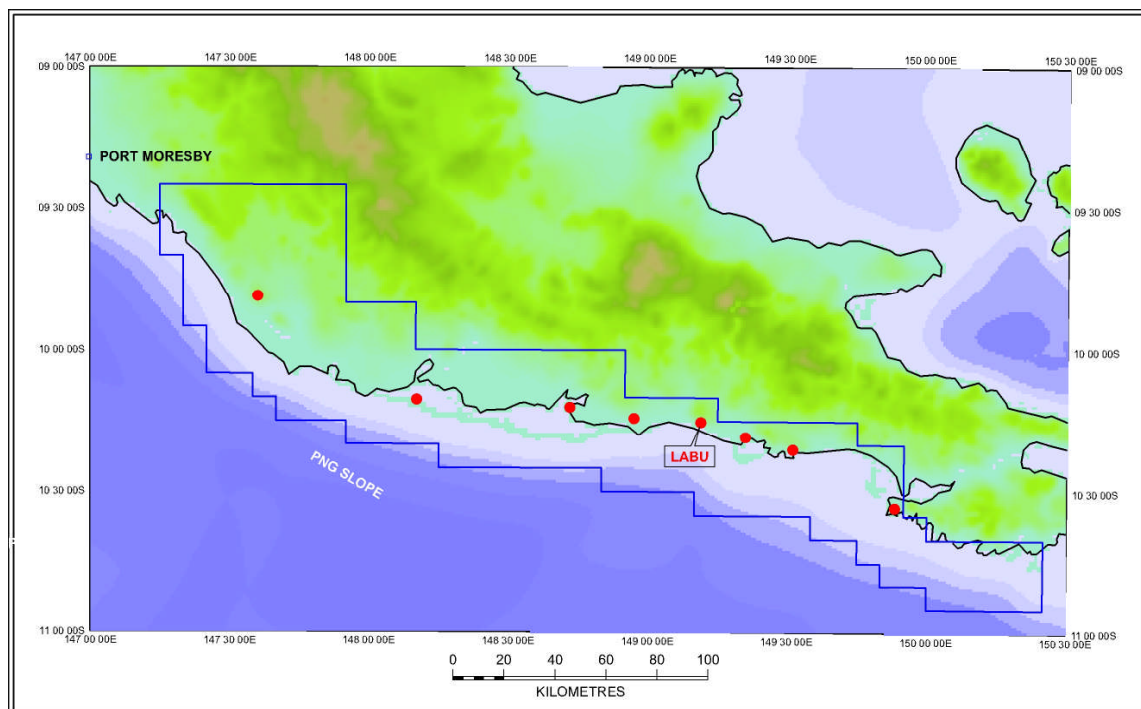
8 August 2011

### EXPLORATION UPDATE – PPL 326 (PNG)

#### Onshore Seep Study In PPL 326

The Company has engaged Firewall Logistics to undertake a field visit to the various hydrocarbon seeps in PPL 326, that have been reported to it by the Department and during the Preliminary Social Mapping Survey. In all eight locations are targeted, see the map below.

The survey has already commenced and is tasked to find the seeps, record their exact location and take a sample of the seep for subsequent analysis.

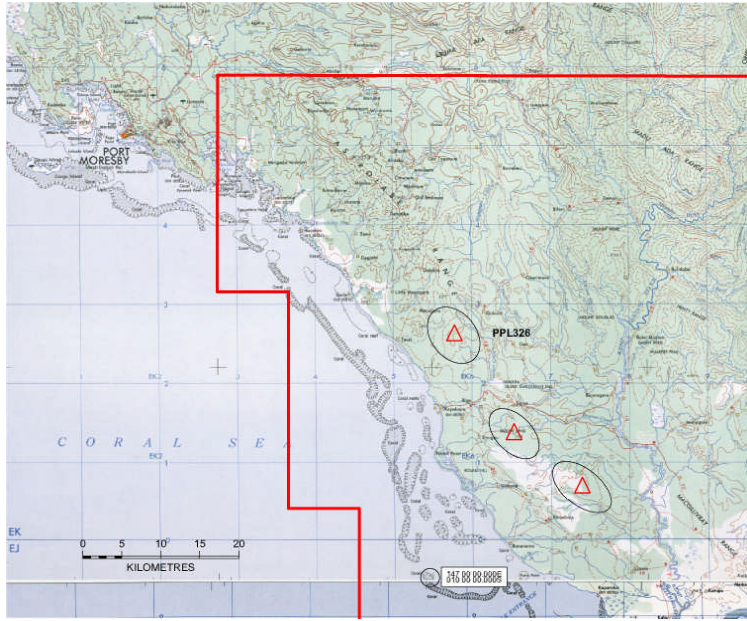


In researching the seeps previously noted as reported by the Department, Larus Energy was provided with a report by the Department of their analysis of a sample taken from the seep reported at Labu. That analysis was of a sample taken in 1998. The Government report of that analysis, dated 20 July 2001, concluded that the observations from the analysis of the sample “do reflect some characteristics of oil therefore it can be categorized as **genuine oil.**” This now provides further support for the conclusion that there is an active hydrocarbon system in this Basin.

Nevertheless, Larus Energy will seek to locate all reported seeps, including Labu, and obtain samples for analysis.

## **Mt Bing Surface Geology Study**

The Company engaged the University of PNG, Department of Earth Sciences to conduct a surface geology survey of Mt Bing, which has now been completed. Mount Bing had been identified by the Company as a targeted geological feature that may be of interest for our exploration program. It is located near Rigo and Unugau about 75 km south east of Port Moresby. It is the middle feature circled on the map below.



The Company's mapping of Mt Bing showed it to be Paleogene sediments and limestone (TeTol).

The survey conducted by the University will provide geological mapping - lithology and dip/strike – as well as a full report on what was found on the surface.

This project is another example of the continued cooperation between the Company and the University.

## **Baramata 2D offshore seismic acquisition**

As previously announced, the Company has commenced a seismic acquisition program to further evaluate 3 large leads in PPL326. A total of 855 line kilometres is planned, utilizing the MV Orient Explorer, contracted from Reflect Geo PTE Ltd.

The vessel departed Brisbane last week and moved on-station to commence the acquisition program in the morning of Monday 8 August 2011. Mike Swift, our Exploration Manager, is on board for the duration of the acquisition program.

The proposed acquisition comprises a wide grid, but will be sufficient to give a good insight into the leads - Sunday, Rodney and Grange. Those leads have been named after local features. The use of a long acquisition streamer antenna and large volume airgun signal source will enable the Larus geologists and geophysicists to map the subsurface geological features. Following on from earlier seismic analysis that showed favourable conditions for the trapping of oil and gas, this survey is designed to de-risk and diminish uncertainty surrounding possible hydrocarbon traps.

This seismic is part of a larger study to address the major risks in oil and gas exploration and production in the region. Significant progress has been made to date, enough to warrant this next major step in exploration. Seismic is usually undertaken as a pre-cursor for drilling (if the results are favourable).

### **University of PNG Honours Scholarship**

As previously advised, the Company awarded a scholarship to Dean Dingel to assist him with completing his Bachelor of Science (Honours) at the University of PNG. Dean's "Reading Thesis" will address and create a Seismic Reflection Interpretation Atlas of Papua New Guinea. His "Practical Thesis" will focus on the geophysical signature of basement rocks in the Hula Region, a key part of PPL 326.

Dean recently made an initial presentation at the University to Mike Swift and our Managing Director, David Williams, and to fellow students.

