

VERUS INVESTMENTS LIMITED

ACN 009 575 035

PROSPECTUS

For the issue of up to 50,000,000 Options at an issue price of \$0.001 per Option, exercisable at \$0.02 on or before 31 March 2012, to raise up to \$50,000.

This Prospectus has also been prepared for the purpose of Section 708A(11) of the Corporations Act to remove any trading restrictions on the sale of Options previously issued by the Company prior to the Closing Date.

IMPORTANT NOTICE

This document is important and should be read in its entirety. If after reading this Prospectus you have any questions about the securities being offered under this Prospectus or any other matter, then you should consult your professional adviser.

The Options offered by this Prospectus should be considered as speculative.

This Prospectus is dated 9 February 2011.

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1. SUMMARY OF IMPORTANT DATES AND IMPORTANT NOTES

TIMETABLE AND IMPORTANT DATES*

Lodgement of Prospectus with ASIC and ASX	9 February 2011
Opening Date	9 February 2011
Closing Date	16 February 2011
Despatch of Holding Statements	17 February 2011

*The above dates are indicative only and may change without notice. The Company reserves the right to extend the Closing Date or close the Offer early without notice.

The anticipated date of commencement of Official Quotation of the Options issued in accordance with this Prospectus as well as Options already on issue is 21 February 2011, subject to compliance with ASX Listing Rules.

IMPORTANT NOTES

Investors should read this document in its entirety and, if in doubt, should consult their professional advisors.

This Prospectus is dated 9 February 2011 and a copy of this Prospectus was lodged with the ASIC on that date. Both ASIC and ASX take no responsibility for the content of this Prospectus.

The expiry date of the Prospectus is 13 months after the date the Prospectus was lodged with ASIC. No Options will be allotted or issued on the basis of this Prospectus after the Expiry Date.

No person is authorised to give information or to make any representation in connection with this Prospectus which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

Applications for Options offered pursuant to this Prospectus can only be submitted on an original Application Form which accompanies this Prospectus.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and therefore persons into whose possession this document comes should seek advice on and observe any such restrictions. Any failure to comply with these restrictions constitutes a violation of those laws. This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

This Prospectus is a transaction specific prospectus for an offer of Options to acquire continuously quoted securities (as defined in the Corporations Act) and has been prepared in accordance with Section 713 of the Corporations Act. It does not contain the same level of disclosure as an initial public offering prospectus. In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

RISK FACTORS

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Options pursuant to this Prospectus. For further information in relation to the risk factors of the Company please refer to Section 7 of this Prospectus.

2. CORPORATE DIRECTORY

Directors

Andrew McIlwain
Non-Executive Chairman

Greg Lee
Executive Director

David Calcei
Non-Executive Director

Mark Freeman
Non-Executive Director

Company Secretary

Paul Jurman

Registered Office and Principal Place of Business

30 Ledger Road
BALCATTA, WA 6021

Telephone: (08) 9240 8645
Facsimile: (08) 9240 2406

Website: www.verus.com.au

Auditor*

Deloitte Touche Tomatsu
Woodside Plaza
Level 14
240 St. Georges Terrace
Perth WA 6000

Solicitor

Steinepreis Paganin
Level 4
The Read Buildings
16 Milligan Street
Perth WA 6000

Share Registry*

Computershare Investor Services Pty Ltd
Level 2 Reserve Bank Building
45 St Georges Terrace
PERTH WA 6000

Telephone: +61(8) 9323 2000
Facsimile: +61(8) 9323 2096
Email: perth.services@computershare.com.au

* This entity's name is included for information purposes only.

3. DETAILS OF AND BACKGROUND TO THE OFFER

3.1 Offer

The Company announced to ASX on 25 November 2010 that it had entered into a capital raising mandate with Alto Capital (**Alto**), a Perth based stock-broking firm, pursuant to which Alto was engaged to raise funds via a placement of Shares for the acquisition of the working interest in the Sidi Daher Prospect (**Placement**).

As part consideration for the Placement, the Company agreed to issue to Alto (or its nominees) 250,000,000 Options, each exercisable at \$0.02 on or before 31 March 2012.

At a General Meeting of shareholders held on 27 January 2011, shareholders, ratified the issue of 170,000,000 Options (Tranche 1) and approved the issue of a further 80,000,000 Options (Tranche 2) of which 30,000,000 Options were issued on 7 February 2011.

The remaining 50,000,000 Options will be issued to Alto (or its nominees) pursuant to this Prospectus.

The funds raised from the Placement and Option issue have or will be allocated towards:

- Partially funding the Company's 10% working interest in the Sidi Daher Prospect;
- ongoing development activities at its onshore oil and gas investments in Louisiana and Texas in the USA; and
- working capital and general corporate purposes.

This Prospectus invites investors identified by the Directors to apply for up to 50,000,000 Options at an issue price of \$0.001 per Option pursuant to the Offer. All of the Options offered under this Prospectus will be issued on the terms and conditions set out in Section 6.2 of this Prospectus.

The Offer will only be extended to specific parties on invitation from the Directors. Application forms will only be provided to these parties.

All of the Shares issued upon the exercise of the Options offered under this Prospectus will rank equally with the Shares on issue at the date of this Prospectus.

The secondary purpose of this Prospectus is to remove any trading restrictions that may have attached to those Options previously issued by the Company prior to the Closing Date.

Further details of the purpose and effect of the Offer are set out in Section 4 of this Prospectus.

3.2 Opening and Closing Dates

The Offer will open for receipt of acceptances at 9.00am WST on 9 February 2011 and will close at 5.00pm WST on 16 February 2011 or such other date as the Directors, in their absolute discretion, may determine.

3.3 Minimum Subscription

The minimum level of subscription for the Offer is 10,000,000 Options to raise \$10,000.

3.4 Brokerage and commission

No brokerage or commission is payable.

3.5 Applications

An application for the Options must be made by investors at the direction of the Company and must be made on an Application Form attached to or accompanying this Prospectus.

The Directors reserve the right to issue Options pursuant to the Offer at their absolute discretion.

Payment for the Options must be made in full at the issue price of \$0.001 per Option.

Completed Application Forms and accompanying cheques, made payable to “**Verus Investments Limited – Professional Funds Account**” and crossed “Not Negotiable”, must be mailed or delivered to the address set out on the Application Form.

The Directors may close the Offer early or extend the Closing Date in their sole discretion.

3.6 Allotment of Options

The Directors will determine the allottees of all the Options in their sole discretion and reserve the right to reject any application or to allocate any Applicant fewer Options than the number applied for.

Options issued pursuant to the Offer will be allotted as soon as practicable after the Closing Date. Where the number of Options issued is less than the number applied for, or where no allotment is made, surplus application monies will be refunded without any interest to the Applicant as soon as practicable after the Closing Date.

Pending the allotment and issue of the Options or payment of refunds pursuant to this Prospectus, all application monies will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest.

3.7 ASX Listing

Application for Official Quotation by ASX of the Options offered pursuant to this Prospectus will be made within 7 days after the date of this Prospectus. If approval is not obtained from ASX before the expiration of 3 months after the date of issue of the Prospectus, (or such period as varied by the ASIC), the Company will not issue any Options and will repay all application monies for the Options within the time prescribed under the Corporations Act, without interest.

As noted elsewhere, the Company will also seek Official Quotation by ASX of Options previously issued by the Company in January and February 2011. Following completion of the Offer, there will be 250,000,000 such Options (ASX Code: VILAO) on issue, please refer to Section 4.3 of this Prospectus.

The fact that ASX may grant Official Quotation to the Options is not to be taken in any way as an indication of the merits of the Company or the Options now offered for subscription.

3.8 Overseas Investors

The distribution of this Prospectus outside the Commonwealth of Australia may be restricted by law.

These Offer do not, and are not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus.

Residents of countries outside Australia should consult their professional advisers as to whether any government or other consents are required, or whether any formalities need to be observed should they wish to make an application to take up Options on the basis of this Prospectus. The return of a duly completed Application Form will be taken to constitute a representation and warranty that there has been no breach of such laws and that all approvals and consents have been obtained.

3.9 The Clearing House Electronic Sub-Register System (CHES) and Issuer Sponsorship

The Company will not be issuing share or option certificates. The Company is a participant in CHES, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHES will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with separate statements (similar to a bank account statement) that set out the number of Options allotted to them under this Prospectus. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHES and issuer sponsorship.

Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

3.10 Privacy Act

If you complete an application for Options, you will be providing personal information to the Company (directly or by the Company's share registry). The Company collect, hold and will use that information to assess your application, service your needs as a securityholder, facilitate distribution payments and corporate communications to you as a securityholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's share registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its share registry if you wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (Cth) (as amended), the Corporations Act and certain rules such as the ASTC Settlement Rules. You should note that if you do not provide the information required on the application for Options, the Company may not be able to accept or process your application.

3.11 Enquiries

Any questions concerning the Offer should be directed to either Mr. Paul Jurman (Company Secretary) or Mr. Craig Nelmes (Finance Manager) at the Company's office on +61 8 9240 8645.

4. PURPOSE AND EFFECT OF THE OFFER

4.1 Purpose of the Offer

The purpose of the Offer is to complete the allotment of Options under the Placement (refer to Section 3.1). The secondary purpose of this Prospectus is to remove any trading restrictions that may have attached to Options with ASX Code VILAO (refer to Section 4.3 for further details) that were issued by the Company prior to the Closing Date.

The intended use of funds raised from the Offer is detailed in Section 3.1.

4.2 Effect of the Offer

The principal effect of the Offer will be to:

- (a) increase cash reserves by approximately \$50,000 (before costs) immediately after completion of the Offer, after deducting the estimated expenses of the Offer; and
- (b) increase the number of Options on issue from 280,500,000 as at the date of this Prospectus to 330,500,000 following completion of the Offer.

4.3 Effect on Capital Structure

The effect of the Offer on the capital structure of the Company is set out below.

Shares

	Number
Shares currently on issue (at date of this prospectus)	1,363,908,563
Shares offered pursuant to the Offer	Nil
Total Shares on issue after completion of the Offer	1,363,908,563

Options

	Number
Options expiring 31 March 2012 and exercisable at 2 cents each	200,000,000
Options expiring 1 March 2012 and exercisable at 1.5 cents each – <i>held by Directors and employees</i>	12,500,000
Options expiring 9 December 2012 and exercisable at 4 cents each – <i>held by employees</i>	500,000
Options expiring 31 December 2013 and exercisable at 2.5 cents each – <i>held by Directors and employees</i>	67,500,000
Options offered pursuant to the Option Offer expiring 31 March 2012 and exercisable at 2 cents each	50,000,000
Total Options on issue after completion of the Offer	330,500,000

5. EFFECT ON BALANCE SHEET

The Offer will have an effect on the Company's financial position. Set out below is the consolidated unaudited balance sheet of the Group as at 30 November 2010 and the consolidated balance sheet of the Group/pro forma unaudited as at 30 November 2010, incorporating the effect of the Offer (before issue costs).

Furthermore, if all of the Options issued pursuant to this Prospectus are exercised, the effect will be to increase the cash at bank, total assets, net assets, contributed equity and total equity by \$1,000,000.

	Notes	30 Nov 2010 (unaudited) \$	30 Nov 2010 Pro-forma (unaudited) \$
Current assets			
Cash & cash equivalents	2, 3, 4, 6, 7	276,493	1,658,335
Trade & other receivables		40,877	40,877
Prepayments		23,801	23,801
Total current assets		341,171	1,843,313
Non-current assets			
Exploration and evaluation assets	3	8,596,722	9,723,136
Oil & gas production assets		1,336,137	1,336,137
Total non-current assets		9,932,859	11,059,273
Total assets		10,274,030	12,782,286
Current liabilities			
Trade & other payables		238,705	238,705
Total current liabilities		238,705	238,705
Total liabilities		238,705	238,705
Net assets		10,035,325	12,543,581
Equity			
Contributed equity	2	19,826,887	22,085,143
Reserves	4, 6, 7	963,809	1,213,809
Accumulated losses		(10,755,371)	(10,755,371)
Total equity		10,035,325	12,543,581

Notes to the balance sheet:

- On 25 November 2010, the Company announced that Alto Capital had been mandated to raise AUD\$2 Million to fund its investment in the Sidi Daher project, ongoing development activities at its onshore oil and gas investments in Louisiana and Texas, and for working capital and general corporate purposes.
- On 7 December 2010, 204,766,065 ordinary fully paid shares were allotted (at a price of 1.225 cents per share) and raising a total of AUD\$2.5 Million (before costs).
- On 7 December 2010, AUD\$1.126 Million was remitted to the operator of the Sidi Daher project, to meet its cash call commitment with respect to the 1st drilling program as approved by the participants.
- On 24 January 2011, 170 Million unlisted options were issued to clients of Alto Capital, at an issue price of \$0.001 cents per option and raising a total of AUD\$170,000. The options have an expiry date of 31 March 2012.
- On 27 January 2011, shareholders approved the issue of a further 80 Million unlisted options to clients of Alto Capital.
- On 7 February 2011, 30 Million unlisted options were issued to clients of Alto Capital, at an issue price of \$0.001 cents per option and raising a total of AUD\$30,000. The options have an expiry date of 31 March 2012.
- In February 2011, the Company expects to issue a further 50 Million unlisted options to clients of Alto Capital, at an issue price of \$0.001 cents per option and raising a total of AUD\$50,000 (before costs). The options have an expiry date of 31 March 2012.

6. TERMS AND CONDITIONS OF THE COMPANY'S SECURITIES

6.1 Rights Attaching to Shares

Shares will be issued on exercise of the Options. The rights, privileges and restrictions attaching to Shares can be summarised as follows:

(a) General Meetings

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with Section 249D of the Corporations Act and the Constitution of the Company.

(b) Voting Rights

Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at general meetings of shareholders or classes of shareholders:

- (i) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (ii) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and
- (iii) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the share, but in respect of partly paid Shares shall have such number of votes as bears the same proportion to the total of such Shares registered in the Shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

(c) Dividend Rights

Subject to the rights of persons (if any) entitled to Shares with special rights to dividend, the Directors may declare a final dividend out of profits in accordance with the Corporations Act and may authorise the payment or crediting by the Company to the Shareholders of such a dividend. The Directors may authorise the payment or crediting by the Company to the Shareholders of such interim dividends as appear to the Directors to be justified by the profits of the Company. Subject to the rights of persons (if any) entitled to shares with special rights as to dividend, all dividends are to be declared and paid according to the amounts paid or credited as paid on the Shares in respect of which the dividend is paid. Interest may not be paid by the Company in respect of any dividend, whether final or interim.

(d) Winding-Up

If the Company is wound up, the liquidator may, with the authority of a special resolution of the Company, divide among the Shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

(e) Transfer of Shares

Generally, Shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act or the Listing Rules.

(f) Variation of Rights

Pursuant to Section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of shareholders, vary or abrogate the rights attaching to shares.

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up, may be varied or abrogated with the consent in writing of 75% of the holders of the issued shares of that class, or if authorised by an ordinary resolution passed at a separate meeting of the holders of the shares of that class.

6.2 Options

The Company currently has 280,500,000 options on issue with various terms and conditions, as set out in Section 4.3. The terms and conditions of the Options offered by this Prospectus as well as the existing 200,000,000 options referred to in Section 4.3 of this Prospectus are as follows:

- (a) Each Option entitles the holder to subscribe for and be allotted one fully paid ordinary Share in the capital of Verus Investments Limited (“the Company”) at an exercise price of 2 cents.
- (b) The Options are exercisable at any time prior to 5.00pm AEST on 31 March 2012 (the Expiry Date) by completing notice of exercise and delivering it to the Company share registry together with the payment for the number of shares in respect of which the Options are exercised.
- (c) The Options are transferable and an application will be made to the ASX for Official Quotation of the Options.
- (d) All Shares issued pursuant to the exercise of Options will be allotted and issued not more than 10 Business Days after receipt of a properly executed notice of exercise and the application monies (as cleared funds) in respect of the exercise.
- (e) All Shares issued upon exercise of the Options will rank *pari passu* in all respects with the Company's fully paid ordinary shares. Subject to ASX listing rules, the Company will apply to ASX for official quotation of all Shares issued upon exercise of the Options within three Business Days after the date of allotment of those Shares.
- (f) There are no participating rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered or made to shareholders during the currency of the Options. However, the Company will send a notice to each option holder at least five Business Days before the record date for any proposed issue of capital on a pro-rata entitlement basis. This will give Option holders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.
- (g) There are no rights to a change in exercise price, or in the number of Shares over which the Options can be exercised, in the event of a bonus issue by the Company prior to the exercise of any Options.
- (h) In the event of any reorganisation of the issued capital of the Company on or prior to the Expiry Date, the rights of an Option holder will be changed to the extent necessary to comply with the applicable ASX Listing Rules at the time of the reorganisation.
- (i) The Company will, at least 20 Business Days before the Expiry Date, send notices to the Option holders stating the name of the Option holder, the number of Options held and the number of securities to be issued on exercise of the Options, the exercise price, the due date for payment and the consequences of non-payment.
- (j) The terms of the Options shall only be changed if holders (whose votes are not to be disregarded) of ordinary Shares in the Company approve of such a change. However, the terms of the Options shall not be changed to reduce the Exercise Price, increase the number of Options or change any period for exercise of the Options.

7. RISK FACTORS

Introduction

The Options offered under this Prospectus are considered speculative, and involve investors being exposed to risk. The Directors strongly recommend potential Applicants examine the contents of this Prospectus and consult their professional advisers before deciding whether to apply for Options pursuant to this Prospectus.

There are specific risks which relate directly to the Company's business. In addition, there are other general risks, many of which are largely beyond the control of the Company and the Directors.

The risks identified in this Section, or other risk factors, may have a material impact on the financial performance of the Company and the market price of its securities.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

7.1 Risks Specific to the Company

(a) Stock market fluctuations

The price of the Shares on ASX may rise or fall due to numerous factors which may affect the market performance of the Company, including:

- (i) general economic conditions, including changes in inflation rates and interest rates;
- (ii) variations in the local and global market for listed stocks;
- (iii) changes to government policy, legislation or regulation;
- (iv) inclusion or removal from major market indices;
- (v) the nature of competition in the markets in which the Company operates; and
- (vi) general operational and business risk.

In particular, the share prices for many companies have in recent times been subject to wide fluctuations, which in many cases may reflect a diverse range of non-company specific influences such as global hostilities and tensions, acts of terrorism and the general state of the economy. Such market fluctuations may materially adversely affect the market price of the Shares.

No assurances can be made that the Company's market performance will not be adversely affected by any such market fluctuations or factors. None of the Company, its' Directors nor any other person guarantees the Company's market performance.

(b) Identification of and competition for investment opportunities

The success of the Company as a whole will depend on the identification and availability of suitable investment opportunities. The availability of investment opportunities will be subject to market conditions and other factors outside the control of the Company.

There can be no assurances that the Company will be able to identify sufficient attractive investment opportunities to meet its investment objectives.

In addition, some investments may be made based on publicly available information and limited due diligence which may increase the risk for that investment.

(c) **Disposal of investments and liquidity**

The Company's investments will be recorded in its financial statements at cost, less any provisions deemed to be appropriate by the Directors. There is no guarantee that the Company will be able to dispose of its investments at the recorded value.

Some of the Company's investments have been or may be made in unlisted, private or proprietary entities. No formalised market exists for sale of interests in such entities. In the event that the Company wishes to exit its investment in such entities, it may be subject to pre-emptive rights procedures and/or marketability discounts.

(d) **Leverage**

The Company may use leverage in connection with its investments. Although the use of leverage may enhance returns and increase the number of investments that can be made, leverage also involves a high degree of financial risk and may increase the exposure of such investments to factors such as rising interest rates, downturns in the economy or deterioration in the conditions of the assets underlying such investments. The values of the Company's investment will be vulnerable to such factors. Therefore, there can be no assurance that the rate of return objectives of the Company will be realised or that there will be any return of original committed and funded capital to Shareholders.

(e) **Minority investments**

The Company may make minority investments. In such cases, the Company will therefore be subject to the risk that an investee entity's shareholders and management make decisions that the Company does not agree with, or takes risks or otherwise act in ways that do not serve the Company's interests.

(f) **Concentration**

The Company's investments are likely to be concentrated in a limited number of entities and industry sectors. A consequence of this concentration is that the aggregate returns the Company seeks to realise may be adversely affected if any investment or a small number of its investments perform poorly.

(g) **Foreign investment**

The Company may invest some or all of its assets in foreign countries. Such foreign investments are subject to additional risks not involved in domestic investments. The value of foreign investments made by the Company could be materially affected by inflation, currency devaluation, interest rate changes, exchange rate fluctuations, changes in government policies, more volatile and less liquid capital markets, different infrastructure and business environments, natural disasters, armed conflicts, political or social instability and other developments affecting such countries.

(h) **Management and expertise**

The Company is dependent on its Directors', managers' and consultants' ability to identify appropriate investment opportunities and implement the Company's strategy in respect of those investments. A number of factors, including the departure of senior management of the Company, could adversely affect the Company's ability to implement its strategy. There can be no assurance that any Director, manager or consultant of the Company will remain a Director, manager or consultant of the Company.

The success of the Company's investments may depend on continued access to competent management and technical expertise, prudent financial administrators and, in connection with its certain investments the availability of appropriately skilled and experienced employees, contractor and consultants operating in relevant sector. Requirements for personnel may increase where a growth strategy is pursued by entities in which the Company has invested. The continued access to such personnel cannot be guaranteed. There may also be delays (due to availability and affordability) in entities in which the Company has or proposed to invest

securing specialised equipment or expertise which may impact their profitability. The Company has no active management role in connection with any of its existing investments.

(i) **Strategic partnerships and contractual relationships**

The Company may be exposed to risks associated with the failure, financial or otherwise, or default by a participant in any strategic partnerships, joint ventures or other contractual relationships with entities in which the Company has invested or proposes to invest. While entities in which the Company has invested or proposes to invest may seek contractual indemnities from any such participant, no assurance can be given that there would be sufficient coverage in the event that a particular project did not meet expectations.

As in any contractual relationship, the ability of parties to benefit is dependent on its ability and the ability of counterparties to comply with their obligations. There can be no assurance that any failure or default by entities in which the Company has invested or proposes to invest in any partnership, alliance, joint venture or other contractual relationship will not adversely affect the financial condition of the Company. Any counterparty default may result in the Company not receiving anticipated returns.

(j) **Funding risk**

Additional funding may be required for new investments or to develop and grow current investments. Such funding may be in the form of debt, equity, asset sales or a combination of them. There can be no assurance that the Company or the entities in which it holds investments will be able to secure any such additional finance on commercially acceptable terms, or at all. Any failure or delay in obtaining such additional finance (if required) may have a material adverse effect on the profitability of the Company.

(k) **Cash liquidity and cash flow risk**

The Company's objective is to maintain a balance between continuity of funding and flexibility through use of cash flow from its operations. While the Company works with contracting parties to negotiate payment terms which assist to manage cash flow on an ongoing basis, ongoing cash flow cannot be guaranteed in all cases and may be subject to third party compliance with agreed payment terms. Committing capital to any particular investment may result in reduced liquidity for the Company.

(l) **Foreign currency risk**

A significant portion of the Company's investments are either US based or are billed in US dollars. The Company has a limited amount of expenses which are payable in Australian dollars. Fluctuations in the US dollar to Australian dollar exchange rate may result in foreign exchange gains and losses which may impact the Company's financial performance.

While the net impact of movements in currency are naturally hedged between assets and liabilities on a net basis, the Company does not presently have in place any foreign exchange hedging arrangements in connection with any of its operations or investments. However, foreign exchange hedging strategies will be continuously reviewed by the Company. Implementation of any strategy will depend, among other things, upon the foreign exchange hedging options available to the Company at any time, the cost of entering into such arrangements and the Company's ability to fund such costs.

(m) **Country and political risk, changes to government policy and regulatory conditions**

The location of a particular investment or domicile of a counter-party to contractual arrangements may affect the value of an investment or the likelihood of returns. International policy and affairs, war, industrial disputes, governmental action, including delay, inaction or policy change, particularly in relation to access to infrastructure, environmental regulation, taxation, royalties and production and exploration and licensing may adversely affect the operations and financial performance of the Company's investments and hence the financial performance of the Company. Introduction of new legislation or regulations, amendments to existing legislation or regulations, the application of developments in existing common law or

the interpretation of those laws, could also have a material adverse effect on the Company's investments and hence the financial performance of the Company.

(n) **Price risk**

Due to the fact that some of the Company's investments are in equity securities, the Company is subject to equity price risk.

(o) **Security**

Many of the Company's investments are unsecured. In the event that income or loan repayments payable to the Company in respect of unsecured investments are not paid to it, the Company's claims for the same would rank equally with all other unsecured creditors. There is no guarantee that the assets of any particular entity will be insufficient to satisfy all of its creditors.

(p) **Dividends**

Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend on the availability of distributable earnings and operating results and financial condition of the Company, future capital requirements and general business and other factors considered relevant by the Directors. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company.

(q) **Taxation**

The acquisition and disposal of Shares or Options will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Shares or Options from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for Options under this Prospectus.

7.2 **Oil and Gas Industry Risks**

A number of the Company's existing investments and arrangements (which includes the Fausse Point, Bongo, Bullseye, Silverwood, West Bowtie and Sidi Daher Projects) are within or relate to the oil and gas industry.

The exploration, development and production of oil and gas involves numerous risks specific to that industry sector which even a combination of experience, knowledge and careful evaluation may be unable to protect against and which may be outside the control of the Company. Some of these risks have been referred to in relation to the Company's existing investments and, in addition to the risks referred to above include:

(a) **Production risk**

There is a risk that aggregate production from resources will not meet expectations. Disruption to or any reduction in the expected production of the Company's oil and gas related investments may result in variations to the Company's expected revenue and could have an adverse effect on the Company's financial performance and ongoing operations.

(b) **Commodity price risk**

The demand for, and price of, oil and gas is highly dependent on a variety of factors, including international supply and demand, weather conditions, the price and availability of alternative fuels, actions taken by governments and international cartels, and global economic and political developments. International oil prices have fluctuated widely in recent years and may continue to fluctuate significantly in the future. It is significant that the returns from the investments are or may be tied to and affected by the underlying oil and gas prices. A number

of factors (such as rising oil prices, macro-economic factors such as inflationary expectations, interest rates, currency exchange rates (particularly the strength of the US dollar), as well as general global economic conditions and political trends) may lead to an increase in commodity and energy costs which may impact the earnings and profitability of the Company's investments. Revenue from the Company's oil and gas sector investments is in some cases determined in US dollars, while some of its operation and other business expenditure is determined in Australian dollars.

(c) **Exploration, drilling and development risk**

There is a risk that exploration permits held by entities in which the Company has invested or which are relevant to the Company's investments will not result in the discovery of commercially viable resources and reserves. Entities operating in the oil and gas sector and in which the Company holds investments may encounter hazards inherent in oil and gas drilling activities. Increases in development costs and delays to development timetables including delays and other timing issues associated with obtaining authorisations, consents and licences may impact on the Company's financial performance and ongoing operations.

(d) **Resources & reserves risk**

No assurances can be given that if resources are discovered by any entity in which the Company has invested (or which is relevant to such investment), it will be able to commercialise any such resources as intended. Reserve and resource estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates, which were valid when made, may change significantly when new information becomes available. In addition reserve and resource estimates depend on interpretations which may prove to be inaccurate. The actual reserves and resources may differ from those estimated which could have either a positive or negative effect on the Company's financial performance.

(e) **Regulatory**

No assurance can be given that the entities in which the Company has invested or proposes to invest will be successful in obtaining any or all of the various governmental, regulatory and legal approvals, licences and permits or maintaining such authorisations in full force and effect without modification or removal. Failure to obtain the same may prohibit entities in which the Company invests from continuing or proceeding with production and exploration and this may consequently impact on the Company's revenues.

(f) **Competition**

The Company's investments and proposed investments in the oil and gas sector operate in a competitive market which includes major oil and gas companies. Some of these companies have greater financial strength and other resources available to them than the Company's investments and proposed investments and, as a result, may be in a better position than the Company's investments and proposed investments to compete for future business opportunities.

(g) **Environmental & industrial risk**

Oil and gas exploration, development and production can be hazardous to the environment. If it is responsible for environmental damage, an entity in which the Company has invested or proposes to invest may incur substantial costs for environmental rehabilitation, damage control and losses by third parties resulting from its operations. Entities in which the Company has invested or proposes to invest may be subject to relevant environmental laws and regulations in connection with their operations. Those entities and potentially the Company could be subject to liability due to risks inherent in its activities, such as accidental spills, leakages or other unforeseen circumstances. Industrial accidents may also impact on production timing and/or total producible product realisable from any underlying asset or resource.

(h) **Title, leases and access**

The systems for obtaining and developing oil and gas leases and resources can be complex and numerous parties may hold various mineral, access or other rights to a particular tract of land or offshore sea bed. Securing and retaining those leases often require negotiation with various parties including State and/or federal governments and government agencies. Establishing and maintaining rights to leases and resources can be an expensive and lengthy process and final opinions on title are often subject to numerous qualifications in respect of contingencies which may or may not arise. Immediate access to exploration leases and other permits cannot in all cases be guaranteed.

7.3 Investment Speculative

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of Options offered under this Prospectus. Therefore, the Options to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Options.

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Options pursuant to this Prospectus.

8. ADDITIONAL INFORMATION

8.1 Continuous Disclosure Obligations

The Company is a “disclosing entity” (as defined in Section 111AC of the Corporations Act) for the purposes of Section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the securities in the Company.

This Prospectus is a “transaction specific prospectus”. In general terms a “transaction specific prospectus” is only required to contain information in relation to the effect of the issue of securities on the Company and the rights attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquires as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the 12 months before the issue of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with the ASIC in relation to the Company (not being documents referred to in Section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of the ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:
 - (i) the annual financial report most recently lodged by the Company with ASIC;
 - (ii) any half-year financial report lodged by the Company with the ASIC after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with ASIC; and
 - (iii) any continuous disclosure documents given by the Company to ASX in accordance with the ASX Listing Rules as referred to in Section 674(1) of the Corporations Act after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with ASIC.

Copies of all documents lodged with the ASIC in relation to the Company can be inspected at the registered office of the Company during normal office hours.

Details of documents lodged with ASX since the date of lodgement of the Company's latest annual financial report and before the lodgement of this Prospectus with ASIC are set out in the table below.

Date	Description of Announcement
08-Feb-11	Appendix 3B
04-Feb-11	Appendix 3Y – Change of Director's Interest Notice (x4)
02-Feb-11	Appendix 3B
28-Jan-11	ADX: AMENDED Tunisia Operations Update - Sidi Dhaher
28-Jan-11	ADX: Tunisia Operations Update - Sidi Dhaher
28-Jan-11	GM Investor Presentation - Positioned for Growth Update
28-Jan-11	Results of Meeting
25-Jan-11	Appendix 3B
18-Jan-11	ADX: Tunisian Operational Update - Sidi Dhaher Preparations
12-Jan-11	ADX: Drilling Rig Secured for Sidi Dhaher Prospect
31-Dec-10	GGP: Acquisition of 12% Interest in Bullseye Project
29-Dec-10	Notice of General Meeting/Proxy Form
29-Dec-10	Securities Trading Policy
16-Dec-10	Bongo Prospect - Initial Production Rates
15-Dec-10	Boardroom Radio Broadcast
14-Dec-10	Production Commences at Bongo Well
09-Dec-10	Executive Director Appointment, Projects Update and App 3B
07-Dec-10	ADX: Sidi Daher Drilling Rig Approval
26-Nov-10	AGM Investor Presentation - Positioned for Growth
26-Nov-10	Results of Meeting – AGM
25-Nov-10	ADX Farms Out Further 10% of Sidi Daher Prospect
25-Nov-10	Invest in Tunisian Oil and Gas Prospect and Capital Raising
25-Nov-10	Trading Halt
23-Nov-10	Bongo Prospect - Flow Testing Update
22-Nov-10	Response to price query
22-Nov-10	Trading Halt request
22-Nov-10	Trading Halt
16-Nov-10	Bongo Update - Completion and Stimulation Commences
26-Oct-10	Notice of Annual General Meeting/Proxy Form
26-Oct-10	Completion of Placement and Appendix 3B
25-Oct-10	Annual Report to Shareholders
22-Oct-10	Board Changes, Appendix 3X and Appendix 3Z
19-Oct-10	Change of Director's Interest Notice
19-Oct-10	Verus Announces Private Placement
18-Oct-10	Becoming a substantial holder
08-Oct-10	Change of Director's Interest Notice
08-Oct-10	AUJ: Silverwood - Oil Sales and Production Update
08-Oct-10	GGP: Silverwood Oil Sales and Production Testing Update
07-Oct-10	Bongo Prospect update
05-Oct-10	Completion of Merger with Pass Petroleum / Appendix 3B
28-Sep-10	Pass Petroleum merger and Silverwood project update

Investors and their professional advisers are able to obtain a copy of the documents referred to above free of charge by contacting the Company at its registered office during normal business hours. These

documents are also available by searching ASIC's records in relation to the Company, or by visiting the Company's website at www.verus.com.au

8.2 Directors' Interests

Other than as set out below or elsewhere in this Prospectus, no Director nor any firm in which such a Director is a partner, has or had within 2 years before the lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- (c) the Offer.

Directors' relevant interests in the securities of the Company at the date of this Prospectus are:

Name	Shares	Options ¹	Options ²
Mr Andrew McIlwain	3,308,591	3,000,000	15,000,000
Mr Greg Lee	2,681,818	3,000,000	20,000,000
Mr Mark Freeman	2,439,051	-	15,000,000
Mr David Calcei	1,681,818	3,000,000	10,000,000

¹ All Options have an exercise price of 1.5 cents and an expiry date of 1 March 2012.

² All Options have an exercise price of 2.5 cents and an expiry date of 31 December 2013.

8.3 Directors' Emoluments

No amounts have been paid or agreed to be paid (in cash or Shares or otherwise) to any Director or to any firm in which any such Director is a partner or director, either to induce him to become, or to qualify him as, a Director or otherwise for services rendered by him or by the firm in connection with the formation or promotion of the Company or the Offer.

Directors are entitled to Directors' fees and other emoluments, which are disclosed in the Company's annual financial reports. Other than the Options (noted in 8.2 above), the directors' current annual remuneration is as follows:

Director	Position	Salary / Director		
		Fee's	Consulting	Total
Mr McIlwain	Chairman	\$54,500	-	\$54,500
Mr Lee	Executive Director	\$200,000	-	\$200,000
Mr Freeman	Non - Executive Director	\$36,000	\$24,000	\$60,000
Mr Calcei	Non - Executive Director	\$40,000	-	\$40,000

The Constitution of the Company provides that the non-executive Directors may be paid for their services as Directors, a sum not exceeding such fixed sum per annum as may be determined by the Company in general meeting (the total pool for Non-executive Directors remuneration being \$250,000).

Mr Freeman has in place a consultancy agreement for the provision of services outside the scope of duties as a director. Remuneration by way of consulting fees is for an amount of \$2,000 per month.

Mr McIlwain and Mr Calcei have in place consultancy agreements for the provision of services (from time to time) which fall outside their scope of duties as a director. Remuneration by way of consulting fees is calculated on the basis of a daily rate. The term of the consultancy agreements are not fixed, and have allowance for either party to terminate the agreed arrangement by the giving of 30 days notice.

Directors, companies associated with the directors or their associates are also reimbursed for all reasonable expenses properly incurred in the course of conducting their duties which include, but are not in any way limited to, out of pocket expenses, travelling expenses, disbursements made on behalf of the Company and other miscellaneous expenses.

8.4 Interests of Experts and Advisers

Other than as set out below or elsewhere in this Prospectus, no expert, underwriter, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of the Prospectus, nor any firm in which any of those persons is or was a partner, nor any company with which any of those persons is or was associated, has or had within 2 years before the lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company; or
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) to any expert, underwriter, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of this Prospectus, or to any firm in which any of those persons is or was a partner, or to any company with which any of those persons is or was associated, for services rendered by that person, or by the firm or the company, in connection with the formation or promotion of the Company or the Offer.

Steinepreis Paganin have acted as solicitors to the Company in respect of this Prospectus. Steinepreis Paganin will be paid approximately \$7,500 (excluding GST) for services in relation to this Prospectus. In the past two years, Steinepreis Paganin have received approximately \$32,900 in fees (excl GST and disbursements) from the Company for professional services.

8.5 Consents

Each of the parties referred to in this Section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section; and
- (b) to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.

Steinepreis Paganin have given their written consent to being named as the solicitors to the Company in this Prospectus. Steinepreis Paganin have not withdrawn their consent prior to the lodgement of this Prospectus with the ASIC.

8.6 Litigation

As at the date of this Prospectus, the Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company.

8.7 Expenses of Offer

The total expenses of the Offer are estimated to be approximately \$37,568 (excluding GST) as follows:

	\$
ASIC fees	2,068
ASX fees for Official Quotation*	13,000
Accounting Fees	5,000
Legal fees	7,500
Share registry	10,000
Total	<u>\$37,568</u>

Subject to compliance with the ASX Listing Rules, the fee for Official Quotation is for the Options offered by this Prospectus and the existing 200,000,000 Options that are in the same class.

8.8 Market Price of Shares

The Company is a disclosing entity for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX.

The highest, lowest and last market sale prices of the Company's Shares on ASX during the three months immediately preceding the date of lodgement of this Prospectus with the ASIC and the respective dates of those sales were:

Highest	2.0 cents	22 November 2010
Lowest	1.2 cents	25 November 2010
Last	1.3 cents	7 February 2011

8.9 Electronic Prospectus

Pursuant to Class Order 00/044, the ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic prospectus and electronic application form on the basis of a paper prospectus lodged with the ASIC, and the publication of notices referring to an electronic prospectus or electronic application form, subject to compliance with certain conditions.

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Forms. If you have not, please phone the Company on (08) 9240 8645 and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus, or both.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or Prospectus or any of those documents were incomplete or altered.

9. DIRECTORS' AUTHORISATION

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with Section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC.

Dated the 9th day of February 2011



David Calcei
For and on behalf of
VERUS INVESTMENTS LIMITED

10. DEFINITIONS

\$ means Australian dollars.

Applicant means a party who applies for Options pursuant to the Offer..

Application Form means an application form either attached to or accompanying this Prospectus.

ASIC means the Australian Securities and Investments Commission.

ASX Settlement means ASX Settlement Pty Ltd (ACN 008 504 532).

ASX Settlement Operating Rules means the operating rules of ASX Settlement.

ASX means ASX Limited (ACN 008 624 691).

ASX Listing Rules means the Listing Rules of the ASX.

Board means the board of Directors unless the context indicates otherwise.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Closing Date means the date set out in Section 1 of this Prospectus (unless extended or closed earlier).

Company means Verus Investments Limited (ACN 009 575 035).

Constitution means the constitution of the Company as at the date of this Prospectus.

Corporations Act means the Corporations Act 2001 (Cth).

Directors mean the directors of the Company at the date of this Prospectus.

Group means the Company and its subsidiary.

Offer mean the offer of Options referred to in the "Details of Offer" section of this Prospectus.

Official Quotation means official quotation on ASX.

Option means an option to acquire a Share at an issue price of \$0.001 each, exercisable at \$0.02, on or before 31 March 2012.

Optionholder means a holder of an Option.

Prospectus means this prospectus.

Securities mean Shares and Options.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a shareholder of the Company.

WST means Western Standard Time as observed in Perth, Western Australia.