

Appendix 4E

Preliminary Final Report

Name of entity

VERUS INVESTMENTS LIMITED

ABN or equivalent company
reference

59 009 575 035

Financial year ended ('current period')

30 June 2012

For announcement to the market

\$A

Revenue from ordinary activities	Down 36.69%	to	243,608
Loss from ordinary activities after tax attributable to members	Down 3.32%	to	6,243,932
Net loss for the period attributable to members	Down 3.32%	to	6,243,932
Dividends (distributions)	Amount per security		Franked amount per security
Final dividend	None		- ¢
Interim dividend			
Previous corresponding period	None		- ¢
[†] Record date for determining entitlements to the dividend, (in the case of a trust, distribution)	N/A		

The above results should be read in conjunction with the notes
and commentary contained in this report.

Management Discussion and Analysis

1. *Commentary*

The consolidated loss after tax for the financial year ended 30 June 2012 was \$6,243,932 (2011: \$6,458,190). The loss is impacted mainly by an impairment charge of around \$5.5 million in relation to some of the Company's oil and gas investments, further details of which are provided later in this report.

2. **Review of Investments**

Sidi Dhaher Prospect (WI 10%)

In November 2010, the Company announced it had acquired a 10% working interest in the Chorbane Permit, an onshore Tunisian Oil and Gas permit which contained numerous ready to drill prospects.

It was originally planned to drill the first prospect (Sidi Dhaher) in Q1 2011, however this was delayed and the well was finally spudded on the 27th of August 2011.

The well was drilled to a total depth of 2011 m (measured depth) and encountered hydrocarbons whilst drilling. Electric wireline logs, formation pressures and reservoir fluid samples were acquired over the open hole interval from 999 to 2011 m.

Log analysis and fluid samples taken indicated the presence of hydrocarbons.

On the 3rd of October the operator (ADX Energy Ltd) announced the well had encountered an interpreted oil column of approximately 30m.

The well was then cased and suspended in preparation to test.

In mid April 2012 the operator was finally in a position to mobilise and rig up the drilling rig and all the associated testing equipment in preparation to test the well.

Operations commenced to enable the testing of the well on the 31st of May 2012.

On the 25th of June 2012, the operator announced the well testing results were negative with no hydrocarbons observed at all and that the well would be plugged and abandoned.

Since the well was plugged and abandoned extensive analysis has been conducted on the negative results to determine the reason for the lack of any hydrocarbons.

Ongoing work is planned for the Chorbane block with some additional seismic being planned and further appraisal of prospects and leads on the block.

Lyons Point (WI 15%)

In May 2011, the Company acquired a 15% working interest in the Lyons Point Prospect located in Acadia Parish, Louisiana, operated by Clayton Williams Energy Inc (NASDAQ: CWEI).

The Lyons Point prospect was spudded on the 13th of September and reached its final total depth of 16,500 ft on the 21st of November 2011.

Electric line logging was then performed on the well across the prospective interval however analysis of the logs indicated the prospect to be non commercial.

On the 24th of November the company announced the well to be non commercial and that the well would be plugged and abandoned.

Bongo Prospect (WI 9.375%)

On the 8th of July 2011, Verus announced that the OB Ranch #2 discovery well (Bongo #2) on the Bongo prospect in Wharton County, Texas, had been completed as a development well.

In late July 2011 the well was successfully fracture stimulated and placed on an extended production test to clean up the wellbore, determine reservoir parameters and establish overall commerciality.

During the extended production test water breakthrough into the wellbore of Bongo 2 was observed which restricted the hydrocarbon productivity of the well and the potential commerciality.

Although both wells were considered commercial, detailed review and appraisal potential of the field by Verus determined that the upside was minimal and that the potential ongoing operational costs, technical issues and operational interventions would make the field sub commercial.

The board of Verus decided to sell the interest in the Bongo Prospect back to CAZA oil and gas Inc for \$150,000.

Fausse Point Prospect (72%)

An external engineering review of the drilling program of the TGR #1 well determined that a sidetrack of the existing well bore will deliver more flexibility, reduce drilling risks and ensure logging operations and evaluation can be completed effectively. The initial plans to deepen the well were deemed technically risky and not allow full evaluation of the formations to be drilled through.

Verus is reviewing the option of a third party drilling engineering company to act as operator.

The deepening planning for the side-track of the Fausse Point discovery well TGR#1 is now fully underway and a revised AFE is in the final stages of preparation and once complete will be forwarded to all JV partners for their approval and consent to participate.

It is anticipated that the total drilling, completion and tie-in costs will be approximately US\$1.5 million - of which approximately US\$1 million will be VIL's share.

Verus' Board is also reviewing the potential benefits to farm down a portion of the Company's interest in Fausse Point to offset the costs of participation and in order to prudently manage its funds in difficult capital and commodity markets.

Bullseye Project (10%)

The economics of the field are being closely reviewed given the declining production of Jumonville 1 and 2.

It was expected the wells to reach the end of their commercial life by Midyear. As such they are still producing although at a marginal economic rate.

Once the field has been declared non commercial the potential economic viability of the shallower Camerina will be tested in the existing wellbore in Jumonville 1. The Camerina is estimated to contain between 2.2 to 7.1 million barrels.

Corporate

In November 2011 the board was restructured with the appointment of Sam Russotti and the retirement of Andrew McIlwain and David Calcei.

The Company also completed two private placements one in October 2011 and the second in February 2012, raising \$1,844,000 (before costs).

**Condensed Consolidated Statement of Comprehensive Income
For the Year ended 30 June 2012**

	Notes	30 June 2012 \$	30 June 2011 \$
Revenue			
Oil and Gas Sales	2	227,823	356,097
Interest Income	2	12,576	28,711
Other Income		3,209	-
		243,608	384,808
Expenses	2	(6,487,540)	(6,842,998)
Loss before tax		(6,243,932)	(6,458,190)
Income tax benefit		-	-
Loss for the year		(6,243,932)	(6,458,190)
Attributable to:			
Members of the Parent entity		(6,243,932)	(6,458,190)
Other comprehensive (loss) income			
Exchange differences arising on translation of foreign operations		191,962	(793,516)
Total comprehensive loss of the year		(6,051,970)	(7,251,706)

	30 June 2012 \$	30 June 2011 \$
Earnings per share		
Basic earnings / (loss) per share from continuing operations	(0.36) cents	(0.56) cents
Diluted earnings / (loss) per share from continuing operations	(0.36) cents	(0.56) cents

Condensed Consolidated Statement of Financial Position

As at 30 June 2012

	Notes	30 June 2012 \$	30 June 2011 \$
Current assets			
Cash and cash equivalents	1	525,505	1,740,019
Receivables		64,220	99,997
Total current assets		589,725	1,840,016
Non-current assets			
Prepayments		127,571	755,416
Exploration & Evaluation Assets	4	3,331,131	5,497,530
Oil & Gas Properties		15,909	107,203
Plant and Equipment		515	788
Total non-current assets		3,475,126	6,360,937
Total assets		4,064,851	8,200,953
Current liabilities			
Trade and other payables		253,881	197,815
Total current liabilities		253,881	197,815
Non-current liabilities			
Restoration Provision		116,904	-
Total Non-current liabilities		116,904	-
Total liabilities		370,785	197,815
Net assets		3,694,066	8,003,138
Equity			
Contributed equity	5	25,090,385	23,347,487
Reserves		1,502,015	1,310,053
Accumulated losses		(22,898,334)	(16,654,402)
Total equity		3,694,066	8,003,138

**Condensed Consolidated Statement of Cash Flows
For the Year ended 30 June 2012**

	30 June 2012 \$	30 June 2011 \$
Cash flows from operating activities		
Receipts from customers	43,050	374,237
Payments to suppliers and employees	(647,575)	(1,073,982)
Interest received	12,576	28,711
Net cash flows used in operating activities	(591,949)	(671,034)
Cash flows from investing activities		
Payments on Oil & Gas Exploration prospects (Note 4)	(2,326,895)	(3,202,044)
Payments for plant and equipment	-	(816)
Cash received on subsidiary acquisition	-	110,809
Net cash flows used in investing activities	(2,326,895)	(3,092,051)
Cash flows from financing activities		
Proceeds from issue of securities (Note 5)	1,814,000	5,583,094
Securities issue costs	(100,720)	(322,444)
Net cash flows from financing activities	1,713,280	5,260,650
Net increase (decrease) in cash held	(1,205,565)	1,497,565
Net foreign exchange difference	(8,949)	(63,532)
Cash and cash equivalents at beginning of period	1,740,019	305,986
Cash and cash equivalents at end of period (Note 1)	525,505	1,740,019

Condensed Consolidated Statement of Changes in Equity
Year ended 30 June 2012

	Issued Capital \$	Accumulated losses \$	Reserves \$	Total equity \$
At 30 June 2010	13,148,308	(10,196,212)	1,429,426	4,381,522
Loss for the period	-	(6,458,190)	-	(6,458,190)
Foreign currency translation	-	-	(793,516)	(793,516)
Total Comprehensive Income(Loss)	-	(6,458,190)	(793,516)	(7,251,706)
Securities issues (net of costs)	10,199,179	-	227,470	10,426,649
Share based payments – employee benefits expense	-	-	446,673	446,673
At 30 June 2011	23,347,487	(16,654,402)	1,310,053	8,003,138

	Issued Capital \$	Accumulated losses \$	Reserves \$	Total equity \$
At 30 June 2011	23,347,487	(16,654,402)	1,310,053	8,003,138
Loss for the period	-	(6,243,932)	-	(6,243,932)
Foreign currency translation	-	-	191,962	191,962
Total Comprehensive Income(Loss)	-	(6,243,932)	191,962	(6,051,970)
Share issues (net of costs)	1,742,898	-	-	1,742,898
Share based payments – employee benefits expense	-	-	-	-
Equity settled share based payments	-	-	-	-
At 30 June 2012	25,090,385	(22,898,334)	1,502,015	3,694,066

1 CASH BALANCES

(a) Reconciliation of cash

Reconciliation of cash at the end of the period (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows:	30 June 2012 \$	30 June 2011 \$
Cash on hand and at bank	525,505	1,740,019
Deposits at call	-	-
Total cash at end of period	525,505	1,740,019

(b) NTA backing

	30 June 2012 \$	30 June 2011 \$
Net tangible asset backing per ordinary security	0.02 cents	0.11 cents

2 REVENUE AND EXPENSES

Consolidated	30 June 2012 \$	30 June 2011 \$
Other Income		
Oil and gas sales	227,823	356,097
Interest received	12,576	28,711
Other Income	3,209	-
	243,608	384,808
Expenses		
Production and operating costs	(227,620)	(358,778)
Administration expenses	(697,966)	(941,604)
Share based payments	-	(446,673)
Restoration Provision	(115,146)	-
Impairment – exploration & evaluation asset (Note 4)	(5,475,261)	(5,032,383)
Other	28,453	(63,560)
	(6,487,540)	(6,842,998)

3 DIVIDENDS PAID AND PROPOSED

No dividends have been paid or proposed during the year.

4 EXPLORATION & EVALUATION ASSETS

Consolidated	30 June 2012 \$	30 June 2011 \$
Exploration and evaluation – at cost (i)	3,331,131	5,497,530
(i) The ultimate recoupment of costs carried forward for exploration and evaluation of hydrocarbon areas of interest is dependent on the successful development and commercial exploitation and sale of the respective interests.		
(ii) <i>Movement for the year</i>		
Opening balance	5,497,530	3,761,066
Additions	3,276,312	2,601,862
Acquired on asset acquisition – Pass Petroleum (Note 5)	-	4,919,841
Impairment and divesture expense – Silverwood prospect	-	(517,347)
Impairment expense	(5,475,261)	(4,515,036)
Sale of Bongo	(146,185)	-
Movement in carrying value as a result of foreign currency variations	178,735	(752,856)
	3,331,131	5,497,530

5 ISSUED CAPITAL

<i>Ordinary shares</i>	30 June 2012 \$	30 June 2011 \$
	Issued and fully paid	25,090,385
	Number of shares	Number of shares
Opening balance	1,495,908,563	685,551,589
Shares issued during the year	389,250,000	441,356,974
Pass acquisition share issue (Note 5)	-	369,000,000
Closing balance	1,885,158,563	1,495,908,563

6 LISTED OPTIONS

<i>Options</i>	Number of options No.
<i>As at 30 June 2009</i>	164,196,107
Options issued 26 November 2009	75,000,000
Options expired 30 June 2010	(239,196,107)
<i>As at 30 June 2010</i>	-
Options issued 15 February 2011	250,000,000
Options issued 7 June 2011 (Note 1 (b)(ii))	66,000,000
<i>As at 30 June 2011</i>	316,000,000
<i>Options Expired 30 June 2012</i>	(316,000,000)
<i>As at 30 June 2012</i>	Nil

7 SEGMENT REPORTING

Business Segments

The following tables present the revenue and loss information regarding segments for the years ended 30 June 2012 and 30 June 2011.

	<u>Revenue</u>		<u>Segment Loss / (Profit)</u>	
	Year ended		Year ended	
	30-Jun	30-Jun	30-Jun	30-Jun
	2012	2011	2012	2011
	\$	\$	\$	\$
Continuing operations				
Oil and Gas Exploration – USA	(227,823)	(356,097)	5,818,027	5,035,046
			5,818,027	5,035,064
Interest income			(12,576)	(28,711)
Other income			(3,209)	-
Corporate and administration costs			669,513	1,451,837
Loss before tax			6,243,932	6,458,190
			Group Assets by Reportable Operating Segment	
			30-Jun	30-Jun
			2012	2011
			\$	\$
Oil and Gas Exploration – USA			3,544,557	5,188,893
Oil and Gas Exploration – Africa			-	1,381,360
Total segment assets			3,544,557	6,570,253
Unallocated assets			520,294	1,630,700
Total Assets			4,064,851	8,200,953

8 AFTER BALANCE DAY EVENTS

There were no matters or circumstances that have arisen since 30 June 2012 that has significantly affected, or may significantly affect the Group's operations in future financial years, the results of those operations in future financial years or the Group's state of affairs in those future financial years.

Sale of Bullseye Project and Jumonville Wells – All working interest partners have agreed to sell 100% of the project for US\$1.5 million. Verus's net proceeds are approximately US\$150,000.

Annual meeting

(Preliminary final report only)

The annual meeting will be held as follows:

Place

To be confirmed

Date

To be confirmed

Time

To be confirmed

Approximate date the ⁺annual report will be available

29 th September 2012

Compliance statement

1 This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Consensus Views or other standards acceptable to ASX.

2 This report, and the ⁺accounts upon which the report is based (if separate), use the same accounting policies.

3 This report does give a true and fair view of the matters disclosed.

4 This report is based on ⁺accounts to which one of the following applies.
(Tick one)

- | | | | |
|-------------------------------------|---|--------------------------|---|
| <input type="checkbox"/> | The ⁺ accounts have been audited. | <input type="checkbox"/> | The ⁺ accounts have been subject to review. |
| <input checked="" type="checkbox"/> | The ⁺ accounts are in the process of being audited or subject to review. | <input type="checkbox"/> | The ⁺ accounts have <i>not</i> yet been audited or reviewed. |

Sign here:

Date: 31st August 2012

Print name: **Greg Lee**
Executive Director