



Larus Energy Limited

ACN 140 709 360

Notice of Annual General Meeting and Explanatory Statement

Annual Report:

<http://www.larusenergy.com.au>

**Annual General Meeting to be held at:
5:00pm (AEST) on 30 July 2020
at Mills Oakley
Level 7
151 Clarence St
Sydney, NSW 2000**



LARUS ENERGY LIMITED
ACN 140 709 360

Notice of Annual General Meeting

NOTICE is given that the Annual General Meeting (**AGM**) of Larus Energy Limited ACN 140 709 360 (the **Company**) will be held at the offices of Mills Oakley, Level 7, 151 Clarence St, Sydney NSW 2000 on Thursday 30 July, 2020 at 5:00pm (AEST).

The only business to be conducted, and matters to be discussed, at the AGM are those set out below. Due to COVID-19 restrictions, shareholders are required to pre-register if they intend to attend the AGM. Please follow the instructions over the page under the heading "AGM Attendance Requirements" if you wish to attend the AGM.

ITEMS OF BUSINESS

1. Receipt of the Financial Report for the year ended 31 December 2019

Receipt of the Company's Financial Report and the Directors' Report and the Auditor's Report for the year ended 31 December 2019.

2. Resolution 1 - Retirement by rotation and re-election of Mr Ric Malcolm as a Director

To consider and, if thought fit, pass the following Resolution as an ordinary resolution:

"That, Mr Ric Malcolm, who retires by rotation in accordance with paragraph 57.1 of the Company's Constitution, and being eligible for re-election, is re-elected as a Director of the Company."

3. Resolution 2 – Re-election of Mr Simon Kaiwi as a Director

To consider and, if thought fit, pass the following Resolution as an ordinary resolution:

"That, Mr Simon Kaiwi, having been appointed as an additional Director of the Company since the last annual general meeting of the Company and who retires in accordance with paragraph 55.2 of the Constitution of the Company, and being eligible for re-election, is re-elected as a Director of the Company."



LARUS ENERGY LIMITED
ACN 140 709 360

4. Resolution 3 – Capital Consolidation

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

"That, pursuant to section 254H of the Corporations Act and for all other purposes, the issued capital of the Company be consolidated on the basis that every 10 fully paid ordinary shares in the capital of the Company ("**Shares**") be consolidated into 1 Share and, where this consolidation results in a fraction of a Share being held, the Company be authorised to round that fraction up to the nearest whole Share, on the terms and conditions set out in the Explanatory Statement that accompanies the Notice of Annual General Meeting for the annual general meeting at which this resolution is proposed ."

Dated at Sydney, on 1 July 2020

By order of the Board
Matthew Azar
Company Secretary

2019 Annual Report:

The 2019 Annual Report is available on the Company's Website:

<http://www.larusenergy.com.au>

Go to *Investors - Financial Reports*

AGM ATTENDANCE REQUIREMENTS

The business at this year's AGM will be restricted to the matters set out in the items of business contained in this Notice of Annual General Meeting, and questions from shareholders relating to such matters. With respect to updates on operational matters, shareholders are recommended to review the Company's 2019 Annual Report available on its website at <http://www.larusenergy.com.au>.

While restrictions have been relaxed in New South Wales with respect to gatherings, social distancing requirements and certain limits on the number of people who may attend gatherings remain. Due to these restrictions and in order to ensure the AGM may proceed as planned the Company requires any shareholder who wishes to attend the AGM to email their **Holders Name, Address and SRN** to matthew.azar@larusenergy.com.au to be received no later than 7.00pm on Tuesday, 28 July 2020.

In addition to facilitating the holding of the AGM these details need to be collected by the Company to comply with regulations that require venues to monitor personnel who attend the venue in case anything untoward occurs in connection with COVID-19. Failure to provide your details in advance of the AGM may prejudice your ability to attend on the day.



LARUS ENERGY LIMITED
ACN 140 709 360

PROXIES

1. A Shareholder entitled to attend and vote at this meeting is entitled to appoint a proxy, or not more than two proxies, to attend and vote instead of the Shareholder. The proxy appointed can be the Chair of the Meeting.
2. Where two proxies are appointed:
 - (i) a separate Proxy Form, should be used to appoint each proxy;
 - (ii) the Proxy Form may specify the proportion, or the number, of votes that the proxy may exercise, and if it does not do so each proxy may exercise half of the total number of votes that may be exercised on a resolution.
3. A Shareholder can appoint any other person to be their proxy. A proxy need not be a Shareholder of the Company. The proxy appointed can be described in the Proxy Form by an office held e.g. "the Chair of the Meeting". If the Chair of the Meeting (the **Chair**) is appointed as a proxy, the Chair is entitled to cast the votes in accordance with the direction of the proxy despite the Chair having an interest in the resolution that is the subject of the direction on the Proxy Form.
4. In the case of Shareholders who are individuals, the Proxy Form must be signed:
 - (i) if the shares are held by one individual, by that Shareholder;
 - (ii) if the shares are held in joint names, by any one of them.
5. In the case of Shareholders who are companies, the Proxy Form must be signed:
 - (i) if it has a sole director (including where that director is also sole secretary), by that director (and stating the fact next to, or under the signature on the Proxy Form);
 - (ii) in the case of any other company by either two directors or a director and secretary.

The use of the common seal of the company, in addition to those required signatures, is optional.
6. If the person signing the Proxy Form is doing so under a power of attorney, or is an officer of a company outside those referred to above but authorised to sign the Proxy Form, the power of attorney or other authorisation (or a certified copy of it), as well as the Proxy Form, must be received by the Company by the time and at the place specified below.
7. A Proxy Form accompanies this notice. To be effective, your proxy must be received by the Company **no later than 48 hours before the time for the holding of the meeting:**

By facsimile

+61 2 9290 9655

By mail

Larus Energy Limited
C/- Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001
Australia

In person

Larus Energy Limited
C/- Boardroom Pty Limited
Level 12, 225 George Street
Sydney NSW 2000
Australia

SHAREHOLDERS WHO ARE ENTITLED TO VOTE

In accordance with the Corporations Act 2001 (Cth) (**Corporations Act**), the directors have determined that a person's entitlement to vote at the meeting will be the entitlement of that person named in the register of members as at 7:00PM (AEST) on Tuesday, 28 July 2020.



LARUS ENERGY LIMITED
ACN 140 709 360

EXPLANATORY STATEMENT

1. Receipt of the Financial Report for the year ended 31 December 2019

The Corporations Act requires the Financial Report (which includes the financial statements and the directors' declaration), the Directors' Report and the Auditor's Report to be laid before the Annual General Meeting. There is no requirement either in the Corporations Act or in the Constitution of the Company for Shareholders to approve the Financial Report, the Directors' Report or the Auditor's Report. Shareholders attending the Annual General Meeting will be given a reasonable opportunity to ask questions about, or make comments on, the Financial Report.

2. Resolution 1 – Retirement by rotation and re-election of Mr Ric Malcolm as a Director

Mr Richard (Ric) Malcolm was originally appointed as a Director of the Company on 16 October 2014. Paragraph 57.1 of the Company's Constitution provides that at the close of each annual general meeting, one third of the Directors must retire by rotation. The Director to retire is the Director who has been in office for the longest period of time since their last election. Currently, the longest serving Director since their last election is Ric Malcolm who was last re-elected as a Director at the Company's 2017 AGM. Being eligible for re-election, Mr Malcolm offers himself for re-election.

Mr Malcolm is a professional geoscientist with over 40 years of varied oil and gas experience within seven international markets. He began his career as a Petroleum Geologist with Woodside Petroleum in Perth exploring for oil and gas on the Northwest Shelf. He spent ten years with Ampolex Limited (Perth and Sydney) as a Senior Explorationist and then Exploration Manager in Western Australia and Asset Manager in Northern & Eastern Australia.

Following Mobil's takeover of Ampolex, Mr Malcolm was appointed manager of Mobil's assets in Papua New Guinea. Three years later he joined OMV, initially as Exploration Manager for Australia & New Zealand and later as Exploration & Reservoir Manager for OMV Libya, General Manager Norway and in 2006, Managing Director of OMV UK. Between 2008 and 2013, Mr Malcolm was CEO of Gulfsands Petroleum plc, an AIM listed production, exploration and development company with operations in Syria, Tunisia, Morocco, USA and Colombia.

Each of the Directors (other than Mr Malcolm) recommends Shareholders vote in favour of Resolution 1. The Chair of the meeting at the time of the resolution intends to vote any undirected proxies on Resolution 1 in favour of the re-election of Mr Malcolm.

3. Resolution 2 – Re-election Mr Simon Kaiwi as a Director

For some time the Board has been considering the benefits of appointing a Director with in-country PNG knowledge. With this in mind, on 19 June 2020, the Board elected Mr Simon Kaiwi as an additional Director of the Company. Paragraph 55.2 of the Company's Constitution provides that a Director appointed as an additional Director will hold office until the end of the next annual general meeting of the Company, at which time the Director may be re-elected. Consequently, in accordance with Resolution 2, Mr Kaiwi offers himself for re-election as a Director of the Company.

Mr Kaiwi is a PNG national who currently sits on the board of the Company's wholly-owned subsidiary, Larus Energy (PNG) Limited, and has done so for many years. Consequently, Mr Kaiwi knows the Company and its operations well.



LARUS ENERGY LIMITED
ACN 140 709 360

He was the owner and operator of a successful security and communications company for over 20 years and during this time he also served as President of the National Alliance Party between 2003 and 2012 while Sir Michael Somare was the prime minister of PNG.

Mr Kaiwi is currently the chairman of National Finance Limited in PNG and the Solomon Islands, and is a current shareholder in Larus.

Each of the Directors (other than Mr Kaiwi) recommends Shareholders vote in favour of Resolution 2. The Chair of the meeting at the time of the resolution intends to vote any undirected proxies on Resolution 2 in favour of the re-election of Mr Kaiwi.

4. Resolution 3 – Capital Consolidation

4.1 Background

Pursuant to Section 254H(1) of the Corporations Act, the Company may convert all or any of its Shares into a larger or smaller number of Shares by ordinary resolution passed at a general meeting.

Resolution 2 seeks Shareholder approval for the Company to consolidate its issued share capital through the conversion of every ten (10) fully paid ordinary shares (“**Shares**”) into one (1) fully paid ordinary share (“**Share Consolidation**”). This section of the Explanatory Memorandum provides further information to Shareholders in relation to the Share Consolidation.

4.2 Purpose of Proposed Resolution

The Directors propose the Share Consolidation for the following reasons:

- (a) the Company currently has 312,565,206 Shares on issue which represents a large number with each share having a nominal value;
- (b) in addition to the Shares on issue, the Company has a number of convertible securities in the form of options and convertible notes which, on conversion, convert into Shares. Based on current Share valuations this could result in approximately an estimated further 300,000,000 million Shares being issued in future; and
- (c) the Share Consolidation will result in a more appropriate and effective capital structure for the Company and a share price more appealing to a wider range of investors, particularly potential future strategic investors.

4.3 Effect of the Share Consolidation

(a) Shares

If Resolution 2 is approved, every ten (10) Shares on issue will be consolidated into one (1) Share (subject to rounding). Overall, this will result in the number of Shares on issue reducing from 312,565,206 to approximately 31,256,521 (subject to rounding). As the Share Consolidation applies equally to all Shareholders, individual Shareholdings will be reduced in the same ratio as the total number of Shares (subject to rounding). Accordingly, assuming no other market movements or impacts occur, the Share Consolidation will have no effect on the percentage interest in the Company of each Shareholder, or the economic value of the holding of each Shareholder. The Share Consolidation will not result in any change to the rights and obligations attaching to the Shares, or of existing Shareholders.



LARUS ENERGY LIMITED
ACN 140 709 360

(b) Options

As a consequence of the Share Consolidation each of the options over Shares on issue ("**Options**") will also need to be consolidated, and the exercise price of each Option amended to reflect the consolidation, in accordance with the terms of issue of those Options ("**Option Consolidation**"). As at the date of this Notice of Annual General Meeting, the Company has 3,495,900 Options on issue, with each class having a different exercise price. If the Share Consolidation is approved, the Options need to be reorganised in accordance with the terms and conditions of the Options on the basis that the number of Options will be consolidated in the same ratio as the Share Consolidation and the exercise price of each Option is amended in inverse proportion to that ratio.

For example, a holding of one hundred thousand (100,000) Options with an exercise price of \$0.02 each prior to the Share Consolidation would result in a holding of ten thousand (10,000) Options with an exercise price of \$0.20 each after the Share Consolidation.

After the Share Consolidation, and on implementation of the Option Consolidation, there will be the following Options on issue:

- 50,000 Options exercisable at \$1.00 each on or before 17 February 2021
- 100,000 Options exercisable at \$1.00 each on or before 19 October 2021
- 100,000 Options exercisable at \$0.25 each on or before 2 February 2022
- 50,000 Options exercisable at \$0.20 each on or before 17 February 2022
- 49,590 Options exercisable at \$0.20 each on or before 23 March 2022

The Option Consolidation will not result in any change to the rights and obligations of existing holders of Options, other than with respect to the number of Options held by each holder, and the exercise price at which those Options can be exercised.

(c) Convertible Notes

As a consequence of the Share Consolidation the conversion price for the convertible notes on issue ("**Convertible Notes**") will also need to be consolidated. As at the date of this Notice of Annual General Meeting, the Company has \$3 million of Convertible Notes outstanding. If the Share Consolidation is approved, the terms of issue of the Convertible Notes will need to be amended with the agreement of the noteholder such that the conversion price for the Convertible Notes will be consolidated in the same ratio as the Share Consolidation.

For example, a holding of \$100,000 of Convertible Notes with a conversion price of \$0.02 per Share prior to the Share Consolidation would, following the Share Consolidation, result in a continued holding of \$100,000 of Convertible Notes but with a conversion price of \$0.20 per Share pursuant to an amendment to the terms of issue of the Convertible Notes.

(d) Fractional entitlements

Where the Share Consolidation (and the associated Option Consolidation) results in an entitlement to a fraction of a Share or Option (as applicable), that fraction will be rounded up to the nearest whole number of Shares or Options, as applicable.

(e) Holding statements

Taking effect from the date of the Share Consolidation, all existing holding statements will cease to have any effect, except as evidence of entitlement to a certain number of securities on a post-Share Consolidation basis. New holding statements will be issued



LARUS ENERGY LIMITED
ACN 140 709 360

to security holders, who are encouraged to check their holdings after the Share Consolidation.

(f) Taxation

The Share Consolidation and Option Consolidation should not result in a capital gains tax event for Australian tax residents. The cost base of the Shares held after the Share Consolidation will be the sum of the cost bases of the original Shares pre-Share Consolidation. The acquisition date of Shares held after the Share Consolidation will be the same as the date on which the original Shares were acquired.

This Explanatory Memorandum does not however consider the tax implications in respect of Shares or other securities held on revenue account, as trading stock or by non-resident Shareholders. Shareholders and holders of Options and Convertible Notes should consider their own circumstances and seek their own professional advice in relation to their tax position. Neither the Company nor any of its officers or employees assumes any liability or responsibility for advising Shareholders or other security holders about the tax consequences of the proposed Share Consolidation or the subsequent consolidation of Options or changes required to be made to the terms of issue of the Convertible Notes.

4.4 Board Recommendation

Each of the Directors recommends that Shareholders vote in favour of Resolution 3 for the reasons outlined in section 4 of this Explanatory Statement. The Chair of the meeting intends to vote any undirected proxies on Resolution 3 in favour of the Share Consolidation.