

27 June 2022

The Directors
Larus Energy Limited
Level 28, 140 St Georges Terrace
PERTH 6000 Australia

Dear Sirs,

Independent Expert's Report on the proposed issue of shares in the Company

1. INTRODUCTION

Background

- 1.1 Larus Energy Limited ("Larus" or "the Company") is an Australian public unlisted petroleum exploration company, incorporated in New South Wales on 23 November 2009. Larus engages in the identification, exploration, and evaluation of oil and gas in Papua New Guinea.
- 1.2 The Company has advised of the proposed amalgamation of all holdings in Larus held by Richard Gazal (Larus Chairman) and entities linked to him (including 3C Group Limited, 3C Energy Limited, 3C Capital Limited and 3C Consolidated Capital Pty Limited) into one or more of those entities ("Gazal Parties") and the conversion of various existing convertible notes and loans held in Larus by Mr Gazal and entities linked to him into shares to be held by one or more of the Gazal Parties.
- 1.3 The proposed amalgamation of securities and associated resolutions is referred to in this report as the "Transaction". The Transaction is subject to Larus obtaining Shareholder approval as it will result in the Gazal Parties holding an aggregate interest in the Company above 20%.

Purpose of Report

- 1.4 You have requested Hall Chadwick Corporate (NSW) Limited ("HCC") to prepare an Independent Expert's Report to advise the shareholders of Larus other than those associated with the proposed issue of Larus shares ("Non-Associated Shareholders"), whether the proposed Transaction is fair and reasonable when considered in the context of the interests of Non-Associated Shareholders and to set out the reasons for our conclusions.
- 1.5 HCC understands and has agreed that this report will accompany the notice to convene a meeting of Larus shareholders, to assist the Non-Associated Shareholders in their

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consideration of the resolutions to be put at a General Meeting.

Opinion

- 1.6 In our opinion, the proposed Transaction is *fair and reasonable* to the Non-Associated Shareholders of Larus.
- 1.7 The ultimate decision however on whether to accept the proposed Transaction should be based on Larus shareholders own assessment of their circumstances.

2. THE PROPOSED TRANSACTION

- 2.1 Mr Gazal and entities linked with him currently hold various securities, convertible instruments and loans with the Company.
- 2.2 While the Company has sought to fund its exploration activities in Papua New Guinea through pro rata capital raisings to its existing shareholders and capital raising to new shareholders, sufficient funds have not been raised to fulfil the Company's required funding commitments. Accordingly, alternative sources of funds have needed to be sought which has ultimately led to Mr Gazal and entities linked to him needing to contribute debt funding to the Company in the form of convertible notes and loans.
- 2.3 Due to the Company's continual funding requirements, the various loan facilities provided by Mr Gazal (and entities linked to him) have required further amendments to extend the principal amount able to be drawn under the facilities. Without this source of funding from Mr Gazal and entities linked to him, the Directors would have had no alternative but to declare the Company insolvent and appoint administrators.
- 2.4 The Gazal Parties referred to in this report comprise Richard Gazal and entities linked with him. 3C Group Limited, 3C Energy Limited and 3C Capital Limited are each a Guernsey registered entity that are subsidiary companies of The 3C Trust, a Guernsey registered trust. The trustee of The 3C Trust is an independent third party trustee, Opus Trustees Limited. The directors of each of 3C Group Limited, 3C Energy Limited and 3C Capital Limited are Opus Management Limited and Plutus Limited. Mr Gazal and his family are beneficiaries of The 3C Trust but have no involvement in the day to day control or affairs of The 3C Trust, which is managed entirely by an independent third party trustee and the third party directors of 3C Group Limited, 3C Energy Limited and 3C Capital Limited. 3C Consolidated Capital Pty Limited is an Australian proprietary company limited by shares that is the trustee company for The Unic Trust. 3C Consolidated's directors are Richard Gazal and Laura Jayne Gazal, Mr Gazal's wife. They each own 50% of the shares in 3C Consolidated. Richard Gazal and Laura Gazal are beneficiaries of The Unic Trust.
- 2.5 The Company is seeking shareholder approval to:
- a) issue the number of fully paid ordinary shares to any of the **Gazal Parties** pursuant to the terms of:
 - (i) Convertible Note Deed dated 18 September 2013 between the Company and parties associated with Mr Gazal (**Convertible Note Deed**);
 - (ii) Option Deed entered into on or about 16 April 2014 between the Company and parties associated with Mr Gazal (**Option Deed**);
 - (iii) Convertible Loan Facility Agreement entered into on or about 13 March 2019 between the Company and Richard Gazal (with various subsequent Amending Deeds) (**Convertible Loan Facility Agreement**);
 - (iv) Loan Facility Agreement entered into on or about 12 April 2018 between the Company and 3C Group Limited as amended by Amendment Agreement dated 21 June 2021 (**3C Group Loan Facility Agreement 1**);
 - (v) Loan Facility Agreement entered into on or about 28 June 2021 between the Company and Mr Gazal (**Gazal Loan Facility Agreement**)(together the **Convertible Instruments**), and

b) the transfer of existing shares held by Mr Gazal (and entities linked to him) to another Gazal Party.

2.6 Based on the terms of the above agreements underlying the Convertible Instruments, the issue price of shares on conversion of all Convertible Instruments is agreed to be \$0.10 per share. The below table outlines the terms of the each of the Convertible Instruments:

	Convertible Note/ Option Deed (A\$3,000,000)	Loan Facility Agreement (USD\$ 476,174 principal) 12-Apr-18	Convertible Loans (1)
Maturity	9 years after the issue date. (amending deed August 2020) NB: First convertible note issued 18th September, 2013, first option deed note issued 2nd September, 2015	6 years (Amendment 21 June 2021)	12 months or extended at the lenders discretion if Company unable to repay.
Conversion Rights	Notes can be converted any time before repayment, redemption or maturity of the note at the discretion of the noteholder.	Converted at Lenders election.	Converted if borrower is unable to repay principal and interest.
Conversion Price	\$0.05c except if the Company issues shares at a price that is lower than \$0.05c, then conversion price will be adjusted to equal that price.	\$0.10c except if the Company issues shares at a price that is lower than \$0.10c, then conversion price will be adjusted to equal that price. (Amendment 13 October 2021)	\$0.02c except if the Company issues shares at a price that is lower than \$0.02c, then conversion price will be adjusted to equal that price. (Amendment 13 October 2021)
Pricing	NB: 10:1 conversion approved at 2020 AGM so \$0.05c conversion price is adjusted to \$0.50c and 2021 capital raise done at \$0.10c.		NB: 10:1 conversion approved at 2020 AGM so \$0.02c conversion price is adjusted to \$0.20c and 2021 capital raise done at \$0.10c.

(1) Convertible loans were advanced as follows:

13-Mar-19	15-Jul-19	27-Nov-19	28-Apr-20	28-Jun-21
\$200,000 principal	\$200,000 principal	\$200,000 principal	\$200,000 principal	\$1,000,000 principal

2.7 The approval for the above will be capped at that number of Shares which would result in the Gazal Parties achieving a voting power of up to 80% as shown in the table below. The Company has capped the approval at this level on the basis that it represents the expected percentage that would be held by Gazal Parties if, when combined with the existing relevant interests of the Gazal Parties, all of the loans under the Convertible Instruments were converted, together with capitalised interest, within the timeframes expected. It is intended that the maximum percentage that the Gazal Parties can take in shares is 80%, even if conversion of the Convertible Instruments and accrued interest would result in a higher percentage. The balance of the Convertible Instruments and accrued interest would remain unconverted and would either need to be repaid by the Company in cash or a further shareholder approval sought to convert the balance to shares to the extent Gazal Parties equity interest was to exceed 80%.

2.8 Mr Gazal has provided notice to the Company that he is looking to convert on 30 June 2022, all outstanding convertible notes issued under the Convertible Note Deed and all convertible notes that were issued as a consequence of the exercise of the various options granted under the Option Deed.

2.9 It is not proposed that the more recent convertible loans are converted at this time. The conversion of all of the convertible notes issued under the Convertible Note Deed and under the Option Deed will assist in reducing the Company's debt levels and alleviate the ongoing interest accruing on those instruments, by a total aggregate amount of

\$5,803,862. The Board (excluding Mr Gazal) consider that the reduction in debt by this amount would be advantageous for the Company and its shareholders. Upon conversion of those convertible notes, the Gazal Parties voting power in the Company is expected to increase to 69.9% (not taking into account any further shares that may be issued pursuant to the capital raising below, which will have a dilutive effect on the potential voting power of the Gazal Parties).

- 2.10 The conversion of all debt to shares under the Convertible Instruments as per the proposed Transaction would enable the Company to significantly reduce its debt levels and associated costs by an amount corresponding to the currently expected liability of \$9,019,843 as at 30 June 2022, as shown in the tables below:

Convertible Instrument	Principle	To 30/6/2022	1/7/22 to 31/12/22	Total
		Interest	Interest	
Convertible Note	\$1,000,000.00	\$1,247,426.00		
Option Deed	\$2,000,000.00	\$1,556,436.00		
	\$3,000,000.00	\$2,803,862.00		\$5,803,862.00
Convertible Loans	\$1,800,000.00	\$336,141.00	\$84,701.00	
USD Loan (FX 0.72)	\$661,352.42	\$418,487.46	\$49,601.43	
Total Debt	\$5,461,352.42	\$3,558,490.46	\$134,302.43	\$9,019,842.88

	Number of Shares in which the Gazal Parties have or will have a relevant interest	Combined voting power of the Gazal Parties
Richard Gazal – existing shares only, pre-conversion	8,000,000	19.07%
3C Group Limited – existing shares only, pre-conversion	3,857,055	9.19%
Shares to be issued on conversion under the Convertible Instruments (fully converted basis, including capitalised interest up to 30 June 2022)	90,198,430	75.75%
Total	102,055,485	77.22%

Notes:

1. The Company has 41,960,537 shares currently on issue.
2. USD/AUD Foreign Exchange rate used for calculations was \$0.72
3. Table assumes no further shares are issued by the Company, other than upon the conversion under any Convertible Instruments, and specifically excludes any Shares that may be issued under a proposed Capital Raising. Any future issues of Shares before conversion under the Convertible Instruments will dilute the Gazal Parties' voting power as set out in the table above.
4. Table assumes that any Gazal Parties does not separately become associated with any person that already has a relevant interest in shares, and that the Gazal Parties do not obtain a relevant interest in any shares other than as a result of a transfer of existing shares to it or upon a conversion under the Convertible Instruments.
5. Assumes an issue price of shares on conversion of A\$0.10 per share.
6. Assumes the full A\$1,000,000 is drawn down under the Gazal Loan Facility Agreement (as at 31 March 2022 a total of A\$460,000 had been drawn).

7. 3C Group Limited is a subsidiary of a Guernsey trust under which Richard Gazal and his wife are beneficiaries but which has an independent third party trustee over which neither Richard Gazal or his wife has any control. As such the Guernsey trust is not currently an associate of Richard Gazal. However, certain existing interests held by Mr Gazal directly may in the future be transferred to the Guernsey trust (subject to the agreement of the independent third party trustee) in which case it is considered prudent that going forward the Guernsey trust could be seen to be acting in concert with Mr Gazal, and accordingly become an associate of Mr Gazal under the Corporations Act.
8. The number of shares to be issued on conversion of the Convertible Instruments has assumed interest will continue to be capitalised at current rates through to 30 June 2022.
9. The number of shares to be issued on conversion of the Convertible Instruments assumes that the lender under each Convertible Instrument elects to convert the entire loan amount to shares.
10. Voting power is rounded to the nearest tenth of one percent.

2.11 The illustration above relied on assumptions that, amongst other things, interest is capitalised only until 30 June 2022, when a significant number of the outstanding Convertible Instruments are expected to be converted by Mr Gazal. However, interest will continue to accrue on the Convertible Instruments and will continue to be capitalised after that date and the Gazal Parties will (but for the proposed cap of 80%) become entitled to receive additional Shares. The following demonstrates the potential impact of such further conversions on the total aggregate voting power of the Gazal Parties, on the basis of the same assumptions as were set out in section 2.8 above (except as reflected in the table below):

	Shares issued on conversion of additional interest payable	Aggregate number of Shares held by Gazal Parties	Voting power of Gazal Parties
No additional interest	NIL	102,055,485	77.22%
A\$50,000 in additional interest	500,000	102,555,487	77.31%
A\$100,000 in additional interest	1,000,000	103,055,487	77.39%
A\$200,000 in additional interest	2,000,000	104,055,487	77.56%
A\$500,000 in additional interest	5,000,000	107,055,487	78.05%

2.12 The Convertible Instruments are subject to basic interest calculated at a rate of 8% of their face value per annum, payable monthly. Failure to pay interest on time is an event of default and results in interest accruing on the face value of the Convertible Instruments at a penalty rate of 15% per annum. The interest may be capitalised at the election of the Noteholder. If interest is capitalised it is added to the face value of the Convertible Instruments at the time of conversion. The Company has not paid interest on the Convertible Instruments since January 2014, so interest is accruing on the face value of the Convertible Instruments at 15% per annum. As at the date of the Notice of Meeting the Noteholder has not yet elected to capitalise any interest due or to be paid in the future. Any issue of Shares in lieu of capitalised interest that has accrued at the time of conversion of the Convertible Instruments will count towards the 80% cap on the voting power of the Gazal Parties.

2.13 ***Launch of capital raising:*** Given the Company's ongoing funding requirements and the potential impact that a conversion of convertible notes and convertible loans by the Gazal Parties will have on the voting power in the Company, the Board has decided that it will allow existing shareholders to increase their holdings in the Company via a new capital raising to be priced at the same price that Shares will be issued to the Gazal Parties under the Convertible Instruments, being currently \$0.10 per Share (**Capital Raising**). The Capital Raising has been launched on the date of the notice of meeting and will close 14 days after the launch. The Capital Raising is not underwritten and has no minimum subscription but will be capped at \$2 million. No Gazal Party will be permitted to participate in the Capital Raising and so any Shares issued under the Capital Raising will have a dilutive effect on the Gazal Parties' ultimate voting power in the Company. However, shareholders should note that based on historical participation rates, the amount raised under the Capital Raising is not expected to be significant. The last capital raising undertaken by the Company in 2021 raised \$158,500 from shareholders excluding the underwritten amount.

STRUCTURE OF REPORT

Our report is set out under the following headings:

- 3 PURPOSE OF REPORT
- 4 OPINION
- 5 BASIS OF EVALUATION
- 6 OVERVIEW OF LARUS
- 7 VALUATION METHODOLOGIES
- 8 VALUE OF LARUS
- 9 ADVANTAGES AND DISADVANTAGES OF THE TRANSACTION
- 10 CONCLUSION AS TO FAIRNESS AND REASONABLENESS

APPENDICES

- I SOURCES OF INFORMATION
- II STATEMENT OF DECLARATION & QUALIFICATIONS
- III FINANCIAL SERVICES GUIDE
- IV RISC INDEPENDENT TECHNICAL SPECIALISTS REPORT

3 PURPOSE OF REPORT

- 3.1 The purpose of this report is to advise the Non-Associated Shareholders of Larus of the fairness and reasonableness of the Transaction.
- 3.2 This report provides an opinion on whether or not the terms and conditions in relation to the Transaction are fair and reasonable to the Larus shareholders whose votes are not to be disregarded in respect of the transaction (that is, the Non-Associated Shareholders).
- 3.3 The ultimate decision whether to accept the terms of the Transaction should be based on each shareholders' assessment of their own circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If in doubt about the Transaction or matters dealt with in this report, shareholders should seek independent professional advice.
- 3.4 This report has been prepared to satisfy the requirements of the Corporations Act 2001 ("Corporations Act").

Corporations Act Requirements

- 3.5 Approval of the Transaction will result in the Gazal Parties obtaining in aggregate a potential combined voting power in the Company of up to 80%.
- 3.6 Section 606(1) of the Corporations Act states that a person must not acquire a relevant interest in issued voting shares in a listed company if that person's or any other person's voting power increases to above 20%, or increases from a starting point that is above 20% and below 90%. Section 606(1) therefore prohibits the Gazal Parties from acquiring a relevant interest in the issued ordinary shares in Larus under the Transaction, unless one of the exemptions under Item 7 of Section 611 of the Corporations Act applies.
- 3.7 The exceptions set out in Item 7 of Section 611 of the Corporations Act include an acquisition that is approved by a resolution of shareholders of Larus passed at a general meeting as per Section 611. This is the exception which Larus is seeking to rely on to be able to issue the Note Conversion Shares. At the general meeting of Larus no votes will be allowed to be cast by the Gazal Parties or their associates.
- 3.8 Australian Securities and Investments Commission ("ASIC") Regulatory Guide 111 "Content of Experts Reports" requires, amongst other things, that directors of a company need to provide shareholders with an analysis of whether a proposed transaction is fair and reasonable, when considered in the context of the interests of the non-associated shareholders. Regulatory Guide 111 recommends that this analysis should include an independent expert's report. The independent expert is required to state whether, in their opinion, the proposal is fair and reasonable having regard to the interests of non-associated shareholders and state the reasons for forming that opinion. This report provides such an opinion.

4. OPINION

4.1 In our opinion, the proposed Transaction is *fair and reasonable* to the Non-Associated Shareholders of Larus.

4.2 Our opinion is based solely on information available as at the date of this report.

4.3 The principal factors that we have considered in forming our opinion are summarised below.

Fair

4.4 For the Transaction to be fair, the value of the shares held by Non-Associated Shareholders must increase as a result of the Transaction.

4.4.1 Based on the analysis contained in Section 8 of this report, the indicative value of the Larus shares for the purpose of this report is between nil (negative after allowing for net debt) and \$0.098 per share on a controlling interest basis, pre-Transaction.

4.4.2 The conversion price of the shares to be issued to the Gazal Parties is \$0.10 per share.

4.4.3 In order to assess whether the Transaction is fair, we need to compare the pre-Transaction value per Larus share on a controlling interest basis with the post-Transaction value on a minority basis, as the existing Non-Associated Shareholders of Larus will lose control of the Company to Gazal Parties after the Transaction. This is shown in the table below:

Value and Opinion	Low	Best estimate	High
Control value per share	(0.203)	(0.119)	0.098
Shares on issue	41,960,537	41,960,537	41,960,537
Control valuation, pre-Transaction	(8,500,000)	(5,000,000)	4,100,000
Reduction in debt resulting from Transaction	9,019,843	9,019,843	9,019,843
Post-Transaction Value	519,843	4,019,843	13,119,843
Post-Transaction shares on issue	132,158,967	132,158,967	132,158,967
Post-Transaction Valuation per share	\$ 0.004	\$ 0.030	\$ 0.099
Minority discount	15%	15%	15%
Post-Transaction Minority Interest Value	\$ 0.003	\$ 0.026	\$ 0.084

4.4.4 Refer to section 8.3 of this report for commentary on the valuation range and the basis of the best estimate valuation.

4.4.5 Based on the above analysis and the fact that the Larus shares on a minority interest basis increases as a result of the Transaction under the best estimate scenario, in our opinion the Transaction is **fair** to the Non-Associated Shareholders.

Reasonable

4.5 ASIC Regulatory Guide 111 states that a transaction is reasonable if:

- The Transaction is fair; or

- Despite not being fair the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.

4.5.1 We have concluded that the Transaction is reasonable. In forming our opinion we have considered the following relevant factors:

- The Convertible Instruments have been entered into at a time when the Company was in need of further funding and other sources of funding were not available. Without the funding obtained, and on the terms detailed, the Company would have not been able to continue as a going concern and would have been insolvent. The Company is not currently generating cash flows that are sufficient to service and repay the amounts drawn under Convertible Instruments. If the Convertible Instruments are not converted there is a risk that the Company may not be able to continue as a going concern and therefore it may be unable to realise its assets and extinguish its liabilities in the normal course of business;
- The conversion of all debt to shares under the Convertible Instruments as per the proposed Transaction would enable the Company to significantly reduce debt levels and associated costs by an amount corresponding to the currently expected liability of \$9,019,843 as at 30 June 2022. As a minimum, Mr Gazal has provided notice to the Company that he is looking to convert on 30 June 2022, all outstanding convertible notes issued under the Convertible Note Deed and all convertible notes that were issued as a consequence of the exercise of the various options granted under the Option Deed. This will reduce the Company's debt levels by a total aggregate amount of \$5,803,862 and alleviate the ongoing interest accruing on those instruments. Interest accrued on the Convertible Note Deed and Option Deed in 2021 totalled \$450,000;
- The Transaction will result in an increase in Larus' net assets by the amount of the Convertible Instruments to be capitalised up to \$9,019,843 and an annual interest saving based on the outstanding value of Convertible Instruments and accrued interest. Interest expense on all Convertible Instruments totalled \$675,000 in 2021. This will provide an opportunity for Larus to increase shareholder value and place the Company in a better financial position with lower debt;
- If the Transaction is not approved, there is no certainty that the Company will be able to secure alternative financing arrangements to repay the amounts advanced to it by any of the lenders. The ability of the Company to continue operating as a going concern is largely dependent on its ability to raise funds. Historically those fund-raising activities, including looking to raise funding from other existing shareholders in the Company, have proven challenging.
- The non-associated Directors of Larus (being all of the Larus directors excluding Richard Gazal) are of the opinion that the Transaction is in the best interests of the Company's Shareholders.

4.6 *Accordingly, in our opinion, the Transaction is fair and reasonable to the Non-Associated Shareholders of Larus.*

5 BASIS OF EVALUATION

- 5.1 In our assessment of whether the Transaction is fair and reasonable to Larus Non-Associated Shareholders, we have given due consideration to the Regulatory Guides issued by the ASIC, in particular, Regulatory Guide 74 “Acquisitions Agreed to by Shareholders”, Regulatory Guide 111 “Content of Experts Reports” and Regulatory Guide 112 “Independence of Experts Reports”.
- 5.2 ASIC Regulatory Guide 74 requires, amongst other things, that shareholders are provided with sufficient information to make an effective, informed decision on whether the proposed Transaction is fair and reasonable. Under Regulatory Guide 111, a transaction is “fair” if the value of the asset being acquired or consideration received is equal to or greater than the value of the shares being issued. Additionally, under Regulatory Guide 111 an offer is “reasonable” if it is fair. It is possible for an offer to be reasonable despite being unfair, if after considering other non-financial factors the shareholders should still accept the offer.
- 5.3 Our report has compared the likely advantages and disadvantages to Non-Associated Shareholders if the Transaction is agreed to, with the advantages and disadvantages to those shareholders if it is not. Comparing the consideration to be paid under the proposal and the value of the shares being issued is only one element of this assessment.
- 5.4 Additionally we have considered whether any shareholder will obtain a level of control in Larus as a result of the proposed transaction. In the event that a change in control arises from the proposed transaction, proportionately greater benefits to non-associated shareholders must be demonstrated. In this case the Gazal Parties will obtain a level of control of Larus which needs to be considered in comparing the value received by Non-Associated Shareholders in comparison to the value being provided.
- 5.5 Normal valuation practice is to determine the fair market value of an asset assuming a counter party transaction between a willing and not anxious buyer and a willing but not anxious seller, clearly at arm’s length. We have adopted this approach in determining the market value of Larus.
- 5.6 In evaluating the Transaction, we have considered the value of the Larus shares being issued and compared this to the value of consideration to be provided by the Gazal Parties. We consider that the Transaction will be fair and reasonable if, on balance, the Non-Associated Shareholders in Larus will be better off if the Transaction is approved. We will also consider the Non-Associated Shareholder’s interests should the Transaction not proceed.
- 5.7 In our assessment of the Transaction we have considered, in particular the following:
- The operational and financial position of Larus;
 - The value of Larus shares;
 - Any control premium associated with the Transaction;
 - The advantages and disadvantages associated with approving the Transaction;
 - Prior values at which Larus shares have been issued;
 - The likely value and liquidity of Larus shares in the absence of the acquisition.

- 5.8 The documents and information relied on for the purpose of this valuation are set out in Appendix I. We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to believe that material facts have been withheld. The information provided was evaluated through analysis, enquiry and review for the purpose of forming an opinion as to whether the Transaction is fair and reasonable. However, in assignments such as this, time is limited and we do not warrant that our enquiries have identified or verified all of the matters which an audit or more extensive examination might disclose. None of these additional tasks have been undertaken.
- 5.9 We understand the accounting and other financial information that was provided to us has been prepared in accordance with generally accepted accounting principles and in accordance with Australian Equivalents to International Financial Reporting Standards.
- 5.10 An important part of the information used in forming an opinion of the kind expressed in this report is the opinions and judgement of management. This type of information has also been evaluated through analysis, enquiry and review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation.
- 5.11 HCC are not the auditors of Larus. We have analysed and reviewed information provided by the Directors of Larus and made further enquiries where appropriate.
- 5.12 This report has been prepared after taking into consideration the current economic and market climate. We take no responsibility for events occurring after the date of this report which may impact upon this report or which may impact upon the assumptions referred to in the report.

6. OVERVIEW OF LARUS

6.1 Business Overview

- 6.1.1 Larus is an Australian public unlisted petroleum exploration company, incorporated in New South Wales on 23 November 2009.
- 6.1.2 Larus is an oil and gas exploration company committed to maximising results through the effective identification, acquisition, exploration and management of quality conventional oil and gas assets. In particular Larus is positioning itself to participate in the forecast growth of Papua New Guinea's ("PNG") oil and gas sector.
- 6.1.3 Larus is solely focused on Petroleum Prospecting License 579 (PPL 579) in the Torres Basin, PNG and holds a 100% interest in the license through its wholly owned subsidiary, Larus Energy (PNG) Limited. PPL 579 lies to the south east of Port Moresby covering parts of the Central Province. The license consists of 110 sub-blocks covering an area of approximately 9,244 km².
- 6.1.4 PPL 579 lies approximately 47% onshore; and approximately 53% in the offshore region of the Papuan Plateau, with roughly half of that in depths of 200m or less and the balance in depths greater than 200m (maximum depth is 1,900m). The area covered by PPL 579 has had minimal exploration work undertaken to date. However Larus has an exploration program in place to test the prospectivity of PPL 579.
- 6.1.5 The coastline across PPL 579 is rimmed by coral reefs. PPL 579 is described as a frontier area as no hydrocarbon exploration wells have been drilled in the region and previous exploration was limited to surface geological mapping and a small amount of reconnaissance seismic survey data acquisition. Due to an increase in the acquisition of modern 2D seismic data, there is now sufficient 2D seismic coverage to define leads and prospects, thereby increasing the exploration potential for drilling.
- 6.1.6 The PPL 579 licence term is for a period of eleven years, beginning in March 2017, with an initial six-year term to March 2023 and the ability to extend for a further five years to March 2028.
- 6.1.7 The Company completed a capital raising of \$958,500 at \$0.10 per share in 2021 to allow Larus to licence data to ensure the de-risking of PPL 579 and provide a pathway to meeting term three (Year's 5 & 6) licence work commitments. This will lay a strong foundation from which the Company's Acquisition & Divestment Advisors, Moyes & Co, can explore potential farm-in opportunities and provide prospective farminees sufficient data and geological evaluation to assist in realising the potential of PPL 579.
- 6.1.8 The geological work conducted by Larus has enhanced the petroleum prospectivity of the PPL 579 area. Gravity and magnetics modelling has highlighted the large sedimentary section in the region, termed the Torres Basin. Geochemical analysis and petroleum systems modelling has shown that the area has potential for both oil and gas accumulations.
- 6.1.9 Larus has maintained strong relationships with the PNG Government and Regulator. Larus is committed to meeting its work commitments under PPL579. Phase-2

commitments of the license period have been fulfilled with the purchase of shipborne gravity and magnetics data from surveys. A presence in the Kupiano region of PNG has been maintained for community awareness matters and reconnaissance work.

6.2 Financial Information

6.2.1 Set out below is the Audited Consolidated Profit and Loss Statements of Larus for the financial years ended 31 December 2020 (“FY2020”) and 31 December 2021 (“FY2021”).

LARUS ENERGY LIMITED		
CONSOLIDATED PROFIT AND LOSS STATEMENT		
	FY 2021	FY 2020
Revenues	1	250
Interest expense	(705,016)	(677,392)
Administration costs	(898,784)	(390,319)
Depreciation	(3,030)	(4,324)
Employment costs	(92,319)	(125,369)
Share based payments	-	(15,000)
Foreign currency (loss)/gain	(42,270)	59,777
Occupancy costs	(6,942)	(8,403)
Loss before income tax	(1,748,360)	(1,160,780)
Income tax benefit	-	-
Net loss after income tax expense	(1,748,360)	(1,160,780)
Exchange differences on translating foreign controlled entities	146,863	(332,828)
Total comprehensive loss	(1,601,497)	(1,493,608)

6.2.2 Set out below is the Audited Consolidated Statement of Financial Position of Larus as at 31 December 2021.

LARUS ENERGY LIMITED	
STATEMENT OF FINANCIAL POSITION	
AS AT 31 DECEMBER 2021	
<u>CURRENT ASSETS</u>	
Cash and cash equivalents	5,426
Trade and other receivables	18,032
	23,458
<u>NON-CURRENT ASSETS</u>	
Plant and equipment	12,203
	12,203
TOTAL ASSETS	35,661
<u>CURRENT LIABILITIES</u>	
Trade and other payables	87,409
Borrowings ¹	8,475,341
	8,562,750
TOTAL LIABILITIES	8,562,750
NET ASSETS	(8,527,089)
<u>EQUITY</u>	
Issued capital	19,575,280
Foreign currency translation reserve	(1,227,646)
Option reserve	26,545
Accumulated losses	(26,901,268)
TOTAL EQUITY	(8,527,089)

¹ Borrowings represent Notes and accrued interest as at 31 December 2021.

6.2.3 The previous Audit Reports for Larus have contained the following Emphasis of Matter regarding the going concern of the Company due to the net losses incurred and net cash outflow from operations: “In the event the Group is unable to raise additional funding by way of capital raisings, or loses the support of its shareholders including the convertible note holder, there is a material uncertainty as to whether the Group may be able to continue as a going concern and therefore it may be unable to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.”

7. VALUATION METHODOLOGIES

7.1 Selection of Methodology

7.1.1 In order to assess the fairness of the Transaction a value needs to be attributed to Larus shares.

7.1.2 In assessing the value of Larus we have considered a range of valuation methods. ASIC Regulatory Guide 111 *Content of Expert Reports* states that in valuing a company the expert should consider the following commonly used valuation methodologies:

- Realisation of Assets: the amount that would be available for distribution to security holders on an orderly realisation of assets.
- Capitalisation of Future Maintainable Earnings: the value of trading operations based on the capitalisation of future maintainable earnings;
- Discounted Cash Flow: the net present value of future cash flows.

We consider each of these valuation methodologies below.

7.1.3 *Realisation of Assets*

The net assets or cost based approach to value is based on the assumption that the value of all assets (tangible and intangible) less the value of all liabilities should equal the value of the entity. The net asset value is determined by marking every asset and liability on and off the company's Statement of Financial Position to current market values.

This approach is generally not appropriate where assets are employed productively and are earning more than the cost of capital.

Larus is in its early stages of exploration and development with no historical earnings. The main asset of the Company is its Petroleum Prospecting License, PPL 579.

For the purpose of this report we are relying upon an Independent Technical Specialists Report of PPL 579 prepared and issued by RISC Advisory Pty Ltd ("RISC") on 8 June 2022 ("RISC Report").

The RISC Report has been prepared specifically for the evaluation of the Transaction and to provide Directors with an independent valuation of Larus's ownership of PPL 579.

We have satisfied ourselves as to RISC's expertise and independence from Larus and have placed reliance on the report. RISC is an independent oil and gas advisory firm. All of the RISC staff engaged on this assignment are professionally qualified engineers, geoscientists or analysts, each with many years of relevant experience. RISC has consented to our reliance on the RISC Report and has not withdrawn this consent.

Based on the above, we believe the net asset backing method is the most appropriate to adopt in valuing the assets of Larus.

7.1.4 *Capitalisation of Future Maintainable Earnings*

Under the earnings based valuation method, the value of the business is determined by capitalising the estimated future maintainable earnings of the business at an appropriate capitalisation rate or multiplier of earnings. The multiple is a coefficient, representing the risk that the business may not achieve projected earnings.

This method is appropriate in valuing a business when there is a history of earnings, the business is established and it is assumed the earnings are sufficiently stable to be indicative of ongoing earnings potential.

Larus has incurred net losses in prior years and currently has no earnings prospects therefore an earnings based method is not appropriate for the valuation of Larus.

7.1.5 *Discounted Cash Flow – Net Present Value*

Discounted cash flow valuations involve calculating the value of a business on the basis of the net cash flows that will be generated from the business over its life. The cash flows are discounted to reflect the time value of money and the risk involved with achieving the forecast cash flows. A terminal value at the end of the explicit forecast period is then determined and that value is also discounted back to the valuation date to give an overall value of the business.

Although the discounted cash flow approach relies on the availability of long-term earnings and cash flow forecasts, it is particularly suited to situations where cash flows are not stable or where significant cash outflows will be incurred prior to cash inflows being earned. The forecast period should be of such a length to enable the business to achieve a stabilised level of earnings, or to be reflective of an entire operational cycle for more cyclical industries.

Larus is unable to prepare forecast cash flows on which a valuation can be based. Therefore the use of the discounted cash flow method has not been selected for Larus.

7.2 Premium for Control

7.2.1 When considering transactions involving a substantial equity holding of a company, it is appropriate to address whether a premium for control should attach to the transaction. A premium for control is the difference between the price for each share that a buyer would be prepared to pay to obtain a controlling interest in a company and the price per share that would be required to purchase a share that does not carry with it a controlling interest. In most cases, the value of a controlling interest in the shares in a company significantly exceeds the market value of the shares. This reflects the fact that:

- a) the owner of a controlling interest in the shares in a company obtains access to all free cash flows of the company being acquired, which it would otherwise be unable to do as a minority shareholder;
- b) the controlling shareholder can direct the disposal of surplus assets and the redeployment of the proceeds;
- c) a controlling shareholder can control the appointment of directors, management policy and the strategic direction of the company;

d) the entity taking over the company is often able to increase the value of the entity being acquired through synergies and/or rationalisation savings.

7.2.2 Our experience suggests that the premium for control (over and above the market price of the Company's shares) ranges, on average, between 20% and 35%. However, the appropriate premium for control depends on the specific circumstances and, in particular, the level of synergy benefits able to be extracted by potential acquirers and the degree of confidence about the level and achievability of potential synergies and their timing.

7.2.3 The premium for control paid in takeovers is observable but caution must be exercised in assessing the value of a company or business based on the market rating of comparable companies or businesses. The control premium is an outcome of the valuation process, not a determinant of value. Premiums are paid for reasons that vary from case to case and may be substantial due to synergy or other benefits available to the acquirer. In other situations premiums may be minimal or even zero. It is inappropriate to apply an average premium of 20-35% without having regard to the circumstances of each case. In some situations there is no premium. There are transactions where no corporate buyer is prepared to pay a price in excess of the prices paid by institutional investors.

7.2.4 A shareholder or group of associated shareholders are deemed to influence a company when they have control of more than 20% of the issued shares in a company. At this time a premium for control should normally be considered.

7.2.5 Approval of the Transaction will result in the Gazal Parties increasing their equity interest in the Company to up to 80%. We have assessed that a premium for control of 20% is appropriate for the purpose of this report. Market studies suggest that overall, median takeover premia in Australia have broadly been in the range of 20-35% over the four week pre-bid share prices. We have chosen to apply a control premium at the lower end of this range considering the following:

- a) The Transaction does not result in any change to the Larus board representation or its control over management policy, control of free cash flows, decision making regarding the acquisition and disposal of assets and the redeployment of the proceeds; and
- b) Larus has incurred losses in prior years of operation and is currently in a negative tangible net asset position. This would impact on what the market would be prepared to pay as a premium for obtaining control of the Company.

7.3 Minority Interest Discount

7.3.1 The value of a minority shareholding is subject to a discount factor as the minority shareholder is not in a position to direct, and often not in a position to influence, the distribution of dividends, the investment of retained profits or the strategy and tactics of the company's operations.

7.3.2 Larus' existing Non-Associated shareholders interest will decrease from 71.74% to as low as 20% as a result of the Transactions. We have discounted the post-Transaction value per share on a control basis by 15%, being the inverse of the 20% control premium, to arrive at a post-Transaction value on a minority basis.

8. VALUE OF LARUS

8.1 General

8.1.1 This section sets out our assessment of the underlying value of Larus shareholdings.

8.1.2 We have selected the realisation of net assets as the valuation methodology for Larus as detailed in section 7. Due to the losses historically incurred by Larus, the early stage of its exploration activities and its negative tangible net asset position no secondary valuation approach is appropriate for Larus.

8.2 Realisation of Net Assets

8.2.1 Larus is in its early stages of exploration and development with no historical earnings. The main asset of the Company is its Petroleum Prospecting License, PPL 579. For the purpose of this report we are relying upon the RISC Report, which has been specifically prepared to provide a valuation of exploration permit PPL 579 for the purpose of this report.

8.2.2 Included in this section are extracts and conclusions from the RISC report. A full version of the report is included as an Annexure IV to this report.

8.2.3 RISC has considered oil and gas industry accepted practices to determine a value for PPL 579, including comparable transactions, farm-in promotion factors, sunk costs and value of work program. Alternative valuation approaches have also been investigated to support the valuation. Valuation methods considered by RISC are detailed at section 2.3 of the RISC Report.

8.2.4 RISC has assessed a fair market value of Larus' net interest in the PPL 579 to be between AU\$0.0 million and AU\$12.6 million with a best estimate of AU\$3.5 million based on the following parameters:

- a) Low estimate assumes that the farm down attempts of the asset do not succeed.
- b) Best estimate assumes partial consideration of sunk costs (seismic, discounted at 5% / year).
- c) High estimate assumes an incoming farminee carries Larus for 3D seismic ('seismic option'), exercises the option on participation in an exploration well with a 1.5:1 promotion factor on the well, with Larus retaining a 33% share of the asset.

8.2.5 RISC notes the possibility that the farminee following the seismic acquisition does not exercise the option to participate in the drilling of an exploration well. This outcome would result in a valuation between the best and high estimates of value and is therefore captured in the range of value.

8.2.6 RISC considers that the low case estimate of value corresponds to an eventual lack of success of the farm down process of the asset. Larus advise they are currently in discussions with three parties and have engaged with thirty-two potential farminee parties with the assistance of an M&A advisor over the past 5-years without success to date.

- 8.2.7 RISC has used in its estimation of value, the details of the sunk costs to date as provided by and incurred by Larus and the future costs associated with 3D seismic acquisition and establishment of an exploration well. Costs for these activities were provided by Larus. These assumptions are detailed at section 6.1 of the RISC Report.
- 8.2.8 The sunk cost method is commonly used for determining the value of an exploration permit. Larus' has spent AU\$14.1 million (US\$10 million) on the permit since 2009. For the best estimate of value, RISC has opted to select the sunk costs associated with seismic (acquisition, purchase or processing) and work program amounting to AU\$5.2 million undiscounted. Given that the majority of these costs are historical, dating back to 2010 – 2012, RISC has discounted these costs at 5% per year to bring to a present value of AU\$ 3.5 million.

8.3 Conclusion on Value

- 8.3.1 RISC has assessed a fair market value of Larus' net interest in the PPL 579 to be between AU\$0.0 million and AU\$12.6 million with a best estimate of AU\$3.5 million.
- 8.3.2 As at 31 December 2021 the Company was in a net asset deficit of \$8,527,089. Net debt totalled \$8,469,915, comprising borrowings of \$8,475,341 and cash of \$5,426. Based on a review of the balance sheet detailed at section 6.2.2 and discussions with management regarding the movement in net assets since 31 December 2021, we have determined a negative net asset figure (net debt) of \$8.5 million.
- 8.3.3 Adding the independent valuation of the PPL 579 asset to the net debt position of the Company results in the following equity valuation of Larus on a controlling interest basis, pre-Transaction:

	LOW	BEST ESTIMATE	HIGH
Net tangible assets	(8,500,000)	(8,500,000)	(8,500,000)
Mineral assets	-	3,500,000	12,600,000
Equity value	(8,500,000)	(5,000,000)	4,100,000

- 8.3.4 The best estimate valuation has been determined based on consideration of the following statements and conclusions made in the RISC Report and discussions with management regarding the status of PPL 579:
- a) No wells have been drilled in the license area to date;
 - b) PPL 579 is located in a frontier exploration basin where the potential number of interested parties is considered limited. Larus advise they are currently in discussions with three parties and have engaged with thirty-two potential farminee parties with the assistance of an M&A advisor over the past 5-years without success to date.
 - c) The vast majority of potential farminee candidates have reviewed the asset and have opted to not proceed with a farmin. This places a very high level of uncertainty on engaging a farminee party and achieving a value at the high end of the range determined in the RISC Report;
 - d) The end of the current license term is in March 2023, with a renewal/extension option to 2028. There is a realistic chance that Larus will be unable to farm-out the licence prior to the renewal/extension, in which case the licence has no or limited value to Larus.

9. ADVANTAGES & DISADVANTAGES OF THE TRANSACTION

9.1 Approach to assessing Fairness and Reasonableness

HCC has followed the guidelines of ASIC Regulatory Guide 111 in assessing the fairness and reasonableness of the Transaction. In forming its conclusions in this report, HCC compared the advantages and disadvantages for Non-Associated Shareholders if the Transaction proceeds.

9.2 Advantages of the Transaction

- 9.2.1 The Convertible Instruments have been entered into at a time when the Company was in need of further funding and other sources of funding were not available. Without the funding obtained, and on the terms detailed, the Company would have not been able to continue as a going concern and would have been insolvent. The Company is not currently generating cash flows that are sufficient to service and repay the amounts drawn under Convertible Instruments. If the Convertible Instruments are not converted there is a risk that the Company may not be able to continue as a going concern and therefore it may be unable to realise its assets and extinguish its liabilities in the normal course of business;
- 9.2.2 The conversion of all debt to shares under the Convertible Instruments as per the proposed Transaction would enable the Company to significantly reduce debt levels and associated costs by an amount corresponding to the currently expected liability of \$9,019,843 as at 30 June 2022. As a minimum, Mr Gazal has provided notice to the Company that he is looking to convert on 30 June 2022, all outstanding convertible notes issued under the Convertible Note Deed and all convertible notes that were issued as a consequence of the exercise of the various options granted under the Option Deed. This will reduce the Company's debt levels by a total aggregate amount of \$5,803,862 and alleviate the ongoing interest accruing on those instruments. Interest accrued on the Convertible Note Deed and Option Deed in 2021 totalled \$450,000;
- 9.2.3 The Transaction will result in an increase in Larus' net assets by the amount of the Convertible Instruments to be capitalised up to \$9,019,843 and an annual interest saving based on the outstanding value of Convertible Instruments and accrued interest. Interest expense on all Convertible Instruments totalled \$675,000 in 2021. This will provide an opportunity for Larus to increase shareholder value and place the Company in a better financial position with lower debt;
- 9.2.4 If the Transaction is not approved, there is no certainty that the Company will be able to secure alternative financing arrangements to repay the amounts advanced to it by any of the lenders. The ability of the Company to continue operating as a going concern is largely dependent on its ability to raise funds. Historically those fund-raising activities, including looking to raise funding from other existing shareholders in the Company, have proven challenging.

9.3 Disadvantages of the Transaction

- 9.3.1 The Transaction will result in the dilution of Non-Associated Shareholders ownership interest from 71.74% to as low as 20%.

10. CONCLUSION AS TO FAIRNESS AND REASONABLENESS

10.1 Fairness

10.1.1 For the Transaction to be fair, the value of the shares held by Non-Associated Shareholders must increase as a result of the Transaction.

10.1.2 Based on the analysis contained in Section 8 of this report, the indicative value of the Larus shares for the purpose of this report is between nil (negative after allowing for net debt) and \$0.097 per share on a controlling interest basis, pre-Transaction.

10.1.3 The conversion price of the shares to be issued to the Gazal Parties is \$0.10 per share.

10.1.4 In order to assess whether the Transaction is fair, we need to compare the pre-Transaction value per Larus share on a controlling interest basis with the post-Transaction value on a minority basis, as the existing Non-Associated Shareholders of Larus will lose control of the Company to Gazal Parties after the Transaction. This is shown in the table below:

Value and Opinion	Low	Best estimate	High
Control value per share	(0.203)	(0.119)	0.098
Shares on issue	41,960,537	41,960,537	41,960,537
Control valuation, pre-Transaction	(8,500,000)	(5,000,000)	4,100,000
Reduction in debt resulting from Transaction	9,019,843	9,019,843	9,019,843
Post-Transaction Value	519,843	4,019,843	13,119,843
Post-Transaction shares on issue	132,158,967	132,158,967	132,158,967
Post-Transaction Valuation per share	\$ 0.004	\$ 0.030	\$ 0.099
Minority discount	15%	15%	15%
Post-Transaction Minority Interest Value	\$ 0.003	\$ 0.026	\$ 0.084

10.1.5 Based on the above analysis and the fact that the Larus shares on a minority interest basis increases as a result of the Transaction under the best estimate scenario, in our opinion the Transaction is **fair** to the Non-Associated Shareholders.

10.2 Reasonableness

10.2.1 ASIC Regulatory Guide 111 states that a transaction is reasonable if:

- The Transaction is fair; or
- Despite not being fair the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.

10.2.2 We have concluded that the Transaction is reasonable. In forming our opinion we have also considered the following relevant factors.

- The Convertible Instruments have been entered into at a time when the Company was in need of further funding and other sources of funding were not available. Without the funding obtained, and on the terms detailed, the Company would have not been able to continue as a going concern and would have been insolvent. The Company is not currently generating cash flows that are sufficient to service and repay the amounts drawn under Convertible Instruments. If the Convertible Instruments are not

converted there is a risk that the Company may not be able to continue as a going concern and therefore it may be unable to realise its assets and extinguish its liabilities in the normal course of business;

- The conversion of all debt to shares under the Convertible Instruments as per the proposed Transaction would enable the Company to significantly reduce debt levels and associated costs by an amount corresponding to the currently expected liability of \$9,019,843 as at 30 June 2022. As a minimum, Mr Gazal has provided notice to the Company that he is looking to convert on 30 June 2022, all outstanding convertible notes issued under the Convertible Note Deed and all convertible notes that were issued as a consequence of the exercise of the various options granted under the Option Deed This will reduce the Company's debt levels by a total aggregate amount of \$5,803,862 and alleviate the ongoing interest accruing on those instruments. Interest accrued on the Convertible Note Deed and Option Deed in 2021 totalled \$450,000;
- The Transaction will result in an increase in Larus' net assets by the amount of the Convertible Instruments to be capitalised up to \$9,019,843 and an annual interest saving based on the outstanding value of Convertible Instruments and accrued interest. Interest expense on all Convertible Instruments totalled \$675,000 in 2021. This will provide an opportunity for Larus to increase shareholder value and place the Company in a better financial position with lower debt;
- If the Transaction is not approved, there is no certainty that the Company will be able to secure alternative financing arrangements to repay the amounts advanced to it by any of the lenders. The ability of the Company to continue operating as a going concern is largely dependent on its ability to raise funds. Historically those fund-raising activities, including looking to raise funding from other existing shareholders in the Company, have proven challenging; and
- The non-associated Directors of Larus (being all of the Larus directors excluding Richard Gazal) are of the opinion that the Transaction is in the best interests of the Company's Shareholders.

10.2.3 Accordingly, in our opinion, having considered the advantages of the Transaction and the alternatives of not proceeding with the Transaction, in our opinion the Non-Associated Shareholders of Larus should benefit if the Transaction proceeds and therefore, in our opinion, the Transaction is *reasonable*.

Yours faithfully
Hall Chadwick Corporate (NSW) Limited



DREW TOWNSEND

APPENDIX I - SOURCES OF INFORMATION

- Larus Energy Limited Audited Financial Report for the years ended 31 December 2020 and 31 December 2021;
- Various Agreements and Deeds covering the terms of the Convertible Instruments;
- Larus Energy Limited Notice of General Meeting and Explanatory Memorandum;
- Independent Technical Specialists Report of PPL 579 prepared and issued by RISC Advisory Pty Ltd (“RISC”) on 8 June 2022 (“RISC Report”).
- Larus Company registry details;
- Publicly available information on Larus;
- Regulatory Guide 74 ‘Acquisitions Agreed to by Shareholders’;
- Regulatory Guide 111 ‘Content of Expert Reports’;
- Regulatory Guide 112 ‘Independence of Expert’s Reports’; and
- APES 225 ‘Valuation Services’.

APPENDIX II - STATEMENT OF DECLARATION & QUALIFICATIONS

Confirmation of Independence

Prior to accepting this engagement HCC determined its independence with respect to Larus with reference to ASIC Regulatory Guide 112 (RG 112) titled “Independence of Expert’s Reports”. HCC considers that it meets the requirements of RG 112 and that it is independent of Larus.

Also, in accordance with s648 (2) of the Corporations Act we confirm we are not aware of any business relationship or financial interest of a material nature with Larus, its related parties or associates that would compromise our impartiality.

Mr Drew Townsend, a director of Hall Chadwick Corporate (NSW) Limited, who is a registered company auditor, has prepared this report. Neither he nor any related entities of Hall Chadwick Corporate (NSW) Limited have any interest in the promotion of this Transaction nor will Hall Chadwick Corporate (NSW) Limited receive any benefits, other than normal professional fees, directly or indirectly, for or in connection with the preparation of this report. Our fee is not contingent upon the success or failure of the proposed transaction, and has been calculated with reference to time spent on the engagement at normal professional fee rates for work of this type. Accordingly, HCC does not have any pecuniary interests that could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion under this engagement.

HCC provided a draft copy of this report to the Directors and management of Larus for their comment as to factual accuracy, as opposed to opinions, which are the responsibility of HCC alone. Changes made to this report, as a result of the review by the Directors and management of Larus have not changed the methodology or conclusions reached by HCC.

Reliance on Information

The statements and opinions given in this report are given in good faith and in the belief that such statements and opinions are not false or misleading. In the preparation of this report HCC has relied upon information provided on the basis it was reliable and accurate. HCC has no reason to believe that any information supplied to it was false or that any material information (that a reasonable person would expect to be disclosed) has been withheld from it. HCC evaluated the information provided to it by Larus as well as other parties, through enquiry, analysis and review, and nothing has come to our attention to indicate the information provided was materially mis-stated or would not afford reasonable grounds upon which to base the report. Accordingly, we have taken no further steps to verify the accuracy, completeness or fairness of the data provided.

Our procedures and enquiries do not include verification work, nor constitute an audit or review in accordance with Australian Auditing Standards. HCC does not imply and it should not be construed that it has audited or in anyway verified any of the information provided to it, or that its enquiries could have verified any matter which a more extensive examination might disclose.

The sources of information that we relied upon are outlined in Appendix I of this report.

Larus has provided an indemnity to HCC for any claims arising out of any mis-statement or omission in any material or information provided by Larus to HCC in preparation of this report.

Qualifications

Hall Chadwick Corporate (NSW) Limited (“HCC”) carries on business at Level 40, 2 Park Street, Sydney NSW 2000. HCC holds Australian Financial Services Licence No. 227902 authorising it to provide financial product advice on securities to retail clients. HCC’s representatives are therefore qualified to provide this report.

Consent and Disclaimers

The preparation of this report has been undertaken at the request of the Directors of Larus. It also has regard to relevant ASIC Regulatory Guides. It is not intended that the report should be used for any other purpose than to accompany the Notice of General Meeting to be sent to Larus shareholders. In particular, it is not intended that this report should be used for any purpose other than as an expression of HCC’s opinion as to whether or not the Transaction is fair and reasonable. HCC consent to the issue of this report in the form and context in which it is included in the Notice of General Meeting to be sent to Larus shareholders.

Shareholders should read all documents issued by Larus that consider the proposed Transaction in its entirety, prior to proceeding with a decision. HCC had no involvement in the preparation of these documents, with the exception of our report.

This report has been prepared specifically for the Non-Associated Shareholders of Larus. Neither HCC, nor any member or employee thereof undertakes responsibility to any person, other than an Non-Associated Shareholder of Larus, in respect of this report, including any errors or omissions howsoever caused. This report is "General Advice" and does not take into account any person's particular investment objectives, financial situation and particular needs. Before making an investment decision based on this advice, you should consider, with or without the assistance of a securities advisor, whether it is appropriate to your particular investment needs, objectives and financial circumstances.

Our procedures and enquiries do not include verification work, nor constitute an audit or review in accordance with Australian Auditing Standards (AUS).

Our opinions are based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time. Furthermore, financial markets have been particularly volatile in recent times. Accordingly, if circumstances change significantly, subsequent to the issue of the report, our conclusions and opinions may differ from those stated herein. There is no requirement for HCC to update this report for information that may become available subsequent to this date.

APPENDIX III - FINANCIAL SERVICES GUIDE

Dated 27 June 2022

What is a Financial Services Guide (FSG)?

This FSG is designed to help you to decide whether to use any of the general financial product advice provided by Hall Chadwick Corporate (NSW) Limited ABN 28 080 462 488, Australian Financial Services Licence Number 227902 (HCC).

This FSG includes information about:

- HCC and how they can be contacted
- the services HCC is authorised to provide
- how HCC are paid
- any relevant associations or relationships of HCC
- how complaints are dealt with as well as information about internal and external dispute resolution systems and how you can access them; and
- the compensation arrangements that HCC has in place.

This FSG forms part of an Independent Expert's Report (Report) which has been prepared for inclusion in a disclosure document or, if you are offered a financial product for issue or sale, a Product Disclosure Statement (PDS). The purpose of the disclosure document or PDS is to help you make an informed decision in relation to a financial product. The contents of the disclosure document or PDS, as relevant, will include details such as the risks, benefits and costs of dealing in the particular financial product.

Financial services that HCC is authorised to provide

HCC holds an Australian Financial Services Licence, which authorises it to provide, amongst other services, financial product advice for securities and interests in managed investment schemes, including investor directed portfolio services, to retail clients.

We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of finance products.

HCC's responsibility to you

HCC has been engaged by the independent directors of Larus Energy Limited ("Larus" or the "Client") to provide general financial product advice in the form of a Report to be included in the Notice of Meeting (Document) prepared by Larus in relation to the proposed issue of shares from the conversion of Convertible Instruments in Larus (the "Transaction").

You have not engaged HCC directly but have received a copy of the Report because you have been provided with a copy of the Document. HCC nor the employees of HCC are acting for any person other than the Client.

HCC is responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

General Advice

As HCC has been engaged by the Client, the Report only contains general advice as it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of the general advice in the Report having regard to your circumstances before you act on the general advice contained in the Report.

You should also consider the other parts of the Document before making any decision in relation to the Transaction.

Fees HCC may receive

HCC charges fees for preparing reports. These fees will usually be agreed with, and paid by, the Client. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Client has agreed to pay HCC \$40,000 (excluding GST and out of pocket expenses) for preparing the Report, inclusive of the fee to be paid for the annexed RISC Report. HCC and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of this Report.

HCC officers and representatives receive a salary, dividend or a partnership distribution from Hall Chadwick Sydney professional advisory and accounting practice or associated entities (the Hall Chadwick Sydney Partnership). Remuneration and benefits are not provided directly in connection with any engagement for the provision of general financial product advice in the Report.

Further details may be provided on request.

Referrals

HCC does not pay commissions or provide any other benefits to any person for referring customers to them in connection with a Report.

Associations and relationships

Through a variety of corporate and trust structures HCC is controlled by and operates as part of the Hall Chadwick Sydney Partnership. HCC's directors may be partners in the Hall Chadwick Sydney Partnership. Mr Drew Townsend, a director of HCC and partner in the Hall Chadwick Sydney Partnership, has prepared this report. The financial product advice in the Report is provided by HCC and not by the Hall Chadwick Sydney Partnership.

From time to time HCC, the Hall Chadwick Sydney Partnership and related entities (HC entities) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses.

No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of the Client or has other material financial interests in the Transaction.

Complaints resolution

If you have a complaint, please let HCC know. Formal complaints should be sent in writing to:
The Complaints Officer
Hall Chadwick Corporate (NSW) Limited
GPO Box 3555
Sydney NSW 2001

If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer on 02 9263 2600 and he will assist you in documenting your complaint.

Written complaints are recorded, acknowledged within 5 days and investigated. As soon as practical, and not more than 45 days after receiving the written complaint, the response to your complaint will be advised in writing.

External complaints resolution process

If HCC cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Financial Ombudsman Service (FOS). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly at:

Financial Ombudsman Service Limited
GPO Box 3, Melbourne Victoria 3001
Telephone: 1300 78 08 06
Facsimile (03) 9613 6399
Email: info@fos.org.au

The Australian Securities and Investments Commission also has a free call infoline on 1300 300 630 which you may use to obtain information about your rights.

Compensation arrangements

HCC has professional indemnity insurance cover as required by the Corporations Act 2001(Cth).

Contact Details

You may contact HCC at:
Hall Chadwick Corporate (NSW) Limited
GPO Box 3555
Sydney NSW 2001
Telephone: 02 9263 2600
Facsimile: 02 9263 2800

APPENDIX IV - RISC INDEPENDENT TECHNICAL SPECIALISTS REPORT

(separately attached)