



**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 27 July 2022**  
at Mills Oakley  
Level 7  
151 Clarence St  
Sydney, NSW 2000

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**Larus Energy Limited**  
ACN 140 709 360

## *Notice of Annual General Meeting*

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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 Wednesday, 27 July 2022 at 5:00pm (AEST).

The only business to be conducted, and matters to be discussed, at the AGM are those set out below.

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### ITEMS OF BUSINESS

#### **1. Receipt of the Financial Report for the year ended 31 December 2021**

Receipt of the Company's Financial Report and the Directors' Report and the Auditor's Report for the year ended 31 December 2021.

#### **2. Resolution 1 - Retirement by rotation and re-election of Mr Jon Adgemis as a Director**

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

"That, Mr Jon Adgemis, 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 – Approval of the acquisition of shares by Gazal Parties under item 7 of section 611 of the Corporations Act**

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

That, for the purpose of item 7 of section 611 of the *Corporations Act 2001* (Cth) and for all other purposes, approval be given for:

- (a) the Company to issue the number of fully paid ordinary shares to any of Richard Gazal, 3C Group Limited, 3C Energy Limited, 3C Capital Limited or 3C Consolidated Capital Pty Limited as trustee for The Unic Trust, or any of their associates (**Gazal Parties**) pursuant to the terms of:
  - (i) Convertible Note Deed between the Company and CINU Investments Pty Limited (re-named; 3C Consolidated Capital Pty Limited) dated 18 September 2013 (**Convertible Note Deed**);
  - (ii) Option Deed between the Company and CINU Investments Pty Limited (re-named; 3C Consolidated Capital Pty Limited) entered into on or about 16 April 2014 (**Option Deed**);
  - (iii) Convertible Loan Facility Agreement entered into on or about 13 March 2019 between the Company and Richard Gazal, as



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amended by the Amending Deed dated on or about 15 July 2019, Amending Deed (2) dated on or about 27 November 2019 and the Amending Deed (3) dated on or about 28 April 2020, as each is further amended by Amendment Agreement dated 13 October 2021 (**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 Richard Gazal (**Gazal Loan Facility Agreement**),

(together the **Convertible Instruments**),

(as those Convertible Instruments may be further amended from time to time) which are further described in the Explanatory Statement that accompanies the Notice of Meeting at which this resolution is proposed; and

(b) the transfer of existing shares held by a Gazal Party to another Gazal Party, as will result in the Gazal Parties obtaining in aggregate a potential combined voting power in the Company of up to 80%.

#### **Voting Exclusion Statement**

The Company will disregard any votes cast on Resolution 2 by any of the Gazal Parties, including Richard Gazal, a director of the Company. However, the Company need not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

#### **4. Resolution 3 – Amendment to the Constitution**

To consider and, if thought fit, pass the following Resolution as a special resolution:

That, pursuant to section 136(2) of the *Corporations Act 2001* (Cth) and for all other purposes, the Constitution of the Company be amended by:

(a) inserting the following new paragraph 29.5 to the Constitution:

*"29.5 The Board may determine the form in which a general meeting is to be held, including for this purpose, subject to compliance with the Act, holding a meeting at a physical venue, holding a hybrid meeting at a physical venue and using virtual meeting technology or holding the meeting using virtual meeting technology only. A Member or its representative must comply with any conditions imposed by the Board in relation to the use of those means (including, for example, conditions relating to the identity of the Member or the representative and that person's approval or authentication (including electronic authentication) of the information communicated by electronic means)."; and*

(b) adding the following words at the end of paragraph 30.1:



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*“The notice of meeting must specify the form of the meeting (and whether the meeting will be a physical meeting, a hybrid physical and virtual meeting using technology or a virtual meeting using technology only)”.*

**Dated at Sydney, on 29 June 2022**

By order of the Board  
**Matthew Azar**  
**Company Secretary**

**2021 Annual Report:**

The 2021 Annual Report is available on the Company's Website:

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

Go to *Investors - Financial Reports*



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## 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 2021 Annual Report available on its website at <http://www.larusenergy.com.au> and the latest shareholder update in July 2022.

## 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:**



**Larus Energy Limited**  
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**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 any person named in the register of members as at 5:00PM (AEST) on Monday, 25 July 2022.



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## EXPLANATORY STATEMENT

### 1. Receipt of the Financial Report for the year ended 31 December 2021

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 Jon Adgemis as a Director

Mr Jon Adgemis was originally appointed as a Director of the Company in 2017. 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 Jon Adgemis who was last re-elected as a Director at the Company's 2019 AGM. Being eligible for re-election, Mr Adgemis offers himself for re-election.

Mr Adgemis was previously a Partner at KPMG spanning 12 years with over 16 years experience specialising in Mergers and Acquisitions across a range of sectors including retail, property, technology and media.

Prior to joining KPMG, Mr Adgemis worked at Gresham Partners, a corporate advisory and funds management group. Outside of KPMG, he has entrepreneurial interests currently spanning technology, property, film and mining. Mr Adgemis is the founder and principal of the JAGA Group, which holds an extensive commercial property portfolio and Jon is also a shareholder of the Larus.

#### Recommendation of Directors

Each of the Directors (other than Mr Adgemis) 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 the resolution in favour of the re-election of Mr Adgemis.

### 3. Resolution 2 – Approval of the acquisition of shares by Gazal Parties under item 7 of section 611 of the Corporations Act

#### 3.1 Purpose of resolution

That, for the purpose of item 7 of section 611 of the *Corporations Act 2001* (Cth) (**Corporations Act**) and for all other purposes, approval be given for:

- (a) the Company to issue the number of fully paid ordinary shares to any of Richard Gazal, 3C Group Limited, 3C Energy Limited, 3C Capital Limited or 3C Consolidated Capital Pty Limited as trustee for The Unic Trust, or any of their associates (**Gazal Parties**), pursuant to the terms of the Convertible Instruments (as defined in the Notice of Meeting), as at a conversion date of 30 June 2022 (the **Proposed Transaction**); and
- (b) the transfer of existing shares held by a Gazal Party to another Gazal Party,



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as will result in the Gazal Parties obtaining in aggregate a potential combined voting power in the Company of up to 80%.

### **3.2 Section 611, Item 7 of the Corporations Act 2001 (Cth)**

The Company is an unlisted company with more than 50 members. Accordingly, the Company is subject to the provisions of Chapter 6 of the Corporations Act dealing with the prohibition by persons of the acquisition of certain relevant interests in voting shares of certain types of companies.

Broadly, section 606 of the Corporations Act prohibits a person from acquiring a "relevant interest" in voting shares in the Company if that acquisition results in that person's or their associates' voting power in the Company increasing to more than 20%, or from a starting point above 20% and below 90%.

However, section 611 of the Corporations Act provides a number of exemptions to the prohibition in section 606, including where shareholder approval of the acquisition is obtained in accordance with item 7 of section 611 of the Corporations Act.

Resolution 2 seeks the relevant approval required under item 7 of section 611 of the Corporations Act for the potential increase in the Gazal Parties aggregate voting power in the Company to up to 80% as a result of the Proposed Transaction.

### **3.3 Background to the Proposed Transaction**

#### ***Historical funding of Larus Energy Limited***

The Company's primary asset is an offshore and onshore exploration permit in the area known as PPL (Petroleum Prospecting Licence) 579 in Papua New Guinea. The Company has held the licence since 2009. Under the terms of the licence the Company has a number of work commitments that it must fulfil in order to maintain the ownership of the licence such as conducting 2D and 3D seismic studies and ultimately drilling a well, which it must undertake to the satisfaction of, and provide evidence to, the Papua New Guinea Department of Petroleum. The requirement to complete these activities is not inexpensive and while the Company has sought to fund these activities through pro rata capital raisings to its existing shareholders and through capital raisings to new shareholders, sufficient funds have not been raised through that method to fulfil the Company's required funding commitments. Accordingly, alternative sources of funds have needed to be sought which has ultimately led to director and chair of the Company, Richard Gazal, and entities linked to him, having to contribute debt funding to the Company in the form of convertible notes and convertible loans.

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 be entered into 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.

As has been notified to shareholders previously, the short term goal of the Company is to find a farm-in partner who is willing to acquire an interest in PPL 579, and who is willing to fund the Company's ongoing obligations under the PPL 579 licence, which would alleviate all, or some, of the funding constraints currently experienced by the Company and could potentially see a return to shareholders.

In the meantime, Mr Gazal and his associated entities are looking to assist the Company reduce some of its extensive debt by restructuring their interests in the Company through a conversion of existing convertible notes and convertible loans and the potential consolidation of some of the Gazal Parties' interests in one entity.





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In 2015, shareholders previously approved an associated entity of Mr Gazal (Cinu Investments Pty Ltd) to acquire voting power of up to 39% in Larus but since that date Mr Gazal has re-organised his personal entities plus a significant amount of additional debt funding has been provided to the Company, meaning that a further shareholder approval is required to approve the conversion of the existing convertible notes and convertible loans.

Mr Gazal has provided notice to the Company that he, and his associated entities wish to convert 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, on 30 June 2022, subject to shareholder approval. It is not proposed that the more recent convertible loans are converted at this time. The conversion of all of the convertible notes 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).

#### ***Launch of capital raising***

Given the Company's ongoing funding requirements and the potential impact that a conversion of convertible notes 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 will be launched in July 2022 and will close 14 days after the launch date. The Capital Raising is not underwritten and has no minimum subscription up to \$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.

#### ***Shareholder approval sought***

Shareholder approval is now sought to approve the issue of shares pursuant to the Proposed Transaction, through the conversion rights of the applicable lender contained within the relevant Convertible Instruments, and to allow there to be a transfer of existing shares among the Gazal Parties as necessary.

The Company has entered into the following Convertible Instruments:

- Convertible Note Deed between the Company and CINU Investments Pty Limited (re-named; 3C Consolidated Capital Pty Limited) dated 18 September 2013 (**Convertible Note Deed**);
- Option Deed between the Company and CINU Investments Pty Limited (re-named; 3C Consolidated Capital Pty Limited) entered into on or about 16 April 2014 (**Option Deed**);
- Convertible Loan Facility Agreement entered into on or about 13 March 2019 between the Company and Richard Gazal, as amended from time to time (**Convertible Loan Facility Agreement**);
- Loan Facility Agreement entered into on or about 12 April 2018 between the Company and 3C Group Limited as amended (**3C Group Loan Facility Agreement**);



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- Loan Facility Agreement entered into on or about 28 June 2021 between the Company and Richard Gazal (**Gazal Loan Facility Agreement**),

The material terms of each of the Convertible Instruments are set out below.

#### **Convertible Note Deed**

Under the Convertible Note Deed CINU Investments Limited (**3CCC**), (re-named; 3C Consolidated Capital Pty Limited), an entity associated with Richard Gazal agreed to advance A\$1,000,000 (**CN Principal**) in funds to the Company by way of a series of drawdowns in exchange for the Company issuing convertible notes (**CN Notes**) to 3CCC (subsequently transferred to Richard Gazal) with a face value equal to the funds drawn down including interest accruing on the funds drawn down at a rate of 8% with a penalty rate of 15% on the initial drawn down (**CN Interest**). As at the date of this Notice of Meeting the Company has drawn down fully on the funds available to it under the Convertible Note Deed such that the total aggregate face value of the CN Notes held by Richard Gazal is the total aggregate amount of CN Principal and CN Interest due under the Convertible Note Deed, but Richard Gazal has not yet converted any of the Notes into fully paid ordinary shares in the Company.

The Convertible Note Deed was entered into by 3CCC at a time when the Company had a critical need for funding, and raising funds from existing shareholders and third party investors had proven difficult. 3CCC agreed to fill the funding gap required at that time.

The terms attaching to the Notes (as amended by subsequent amending deeds) include the following:

1. The maturity date of the Notes is nine years after the date that a given Note was issued. The Notes were issued in tranches and so the maturity date on each tranche is different. The earliest maturity date is 18 September 2022 and the latest maturity date for Notes issued under the Convertible Note Deed is 25 June 2023 (**Longstop Maturity Date**).
2. The holder may, at their discretion, convert Notes into Shares at any time before the repayment or redemption of the Notes, or on or before the maturity of the Notes.
3. The number of Shares that the holder is entitled to receive is calculated by applying the Face Value, being an aggregate of A\$1,000,000 plus any capitalised interest (described below), to a subscription for Shares at a specific issue price.
4. The issue price for the Shares on conversion will be the lower of:
  - (a) A\$0.05 per Share;
  - (b) if the Company issues Shares after 18 September 2013 at a price that is lower than A\$0.05, the issue price of those Shares; and
  - (c) the lowest implied price or value per Share calculated under the terms of the Convertible Note Deed of any adjustment events (described below) which occur prior to conversion.

The following events are considered adjustment events:

- an issue of securities which are directly or indirectly convertible into, exercisable for, or exchangeable for Shares;
- any investment by a person, by way of debt or equity, into a subsidiary of the Company;
- entry into any joint venture by the Company or subsidiary of the Company, including any farm-out, partnership or establishment of a co-investment vehicle;



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- takeover, scheme of arrangement or merger to which the Company or a subsidiary of the Company is subject (including any back-door listing of the Company or subsidiary);
- disposal (including by way of compulsory acquisition) of a subsidiary of the Company;
- the disposal (including by way of compulsory acquisition) of all or a substantial part of, the collective assets of the Company and its subsidiaries;
- an initial public offering of the Company or a subsidiary of the Company;
- reconstruction of the capital of the Company, capital distribution, capital reduction, buy-back or division of any securities in the Company;
- any matter or thing similar in effect or purpose to any of the above; and
- any agreement by the Company or a subsidiary of the Company to do any of the above,

(each an **Adjustment Event**).

In 2020, the Company undertook a 10 for 1 share consolidation meaning that the conversion price for Shares under the Convertible Note Deed was adjusted to A\$0.50 per Share, or such lower price as set out in paragraph 4 above.

In 2021, the Company undertook a capital raising at A\$0.10 per Share (**Lower Issue Price**).

As a consequence of that capital raising, in accordance with the terms of the Convertible Note Deed, as at the date of this Notice of Meeting, the holder of the Notes under the Convertible Note Deed may elect to exercise their right to convert all of the issued Notes to Shares at the Lower Issue Price of A\$0.10 per Share, until, at the latest, the Longstop Maturity Date. However, in accordance with the terms of the issue of the Notes (and as described above), the issue price of Shares on conversion of all issued Notes may be further decreased if an Adjustment Event that implies a price or value per Share less than A\$0.10 occurs prior to conversion. If such an Adjustment Event occurs, that will result in a greater number of Shares being issued on the conversion of each Note than would be the case based on a A\$0.10 conversion price.

The Notes 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 Notes 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 Notes at the time of conversion. The Company has not paid interest on the Notes since January 2014, so interest is accruing on the face value of the Notes at 15% per annum. As at the date of this 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 Notes will count towards the 80% cap on the voting power of the Gazal Parties under Resolution 3 (discussed further in section 3.4 below).

**Option Deed**

Under the Option Deed, the Company has granted 3CCC twenty options to subscribe in each case for a secured convertible note with a face value of A\$50,000 (**Options** and **Option Notes** respectively), such that the aggregate face value of the Option Notes that may be issued is A\$1,000,000.

As at the date of this Notice of Meeting, 3CCC has exercised all of its Option Notes and A\$1,000,000 of additional funding has been provided to the Company.

On their issue, and similar to the terms of the Convertible Note Deed, the face value of each Option Note is convertible into Shares at an issue price of the lower of (a) A\$0.05



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per Share; (b) if the Company issues Shares after 18 September 2013 at a price lower than A\$0.05, the issue price of those Shares; and (c) the lowest implied price or value per Share calculated under the terms of the Option Deed of any Adjustment Events which occur prior to conversion. For the same reasons as for the Notes issued under the Convertible Note Deed, the holder may convert the convertible notes issued upon exercise of the Options at a conversion price of A\$0.10 per Share (or a lower price implied by an Adjustment Event).

The Option Notes have a maturity date of nine years after the issue date of each tranche of the Option Notes, the earliest maturity date being 2 September 2024 and the last maturity date being 6 April 2027.

Interest is payable on any Option Notes in the same manner as Notes issued under the Convertible Note Deed and may be capitalised at the election of the holder in the same way as under the Notes. Any issue of Shares in lieu of capitalised interest that has accrued at the time of conversion of the Notes will count towards the 80% cap on the voting power of the Gazal Parties under Resolution 2 (discussed further in section 3.4 below).

### ***Convertible Loan Facility Agreement***

Under the Convertible Loan Facility Agreement, Richard Gazal agreed to advance A\$200,000 in aggregate to the Company, by a way of a series of drawdowns by the Company. Subsequent amendments to the Convertible Loan Facility Agreement were entered into increasing the aggregate funding amount loaned by Richard Gazal to the Company, so that in effect, as at the date of this Notice of Meeting A\$800,000 in principal is outstanding under the Convertible Loan Facility Agreement (and its various Amending Deeds).

The maturity date for each of the draw downs is 12 months from the date of each draw down and interest on each drawn down amount accrues at the rate of 15% per annum (**CL Interest**) until the date of repayment or conversion. The Company must repay the amounts due being the draw down amounts (**Drawn Amounts**) and the CL Interest on the Drawn Amounts (together, the **Repayment Amount**). In the event the Company cannot repay the Repayment Amount due under the agreement the Company must notify the lender and provide evidence to the satisfaction of the lender, that the Company cannot pay the Repayment Amount, following which the lender may at its sole discretion extend the repayment date by way of notice, or if no notice is issued, then the Repayment Amount shall automatically convert into fully paid ordinary shares in the Company, the amount of shares issued being determined by dividing the Repayment Amount by A\$0.10. If the Company subsequently issues Shares at a price lower than A\$0.10 then that lower price will be the issue price per Share and the number of Shares to be issued on conversion will be adjusted accordingly.

As at the date of this Notice of Meeting, no amount of the Repayment Amount has been repaid by the Company and the Repayment Amount remains outstanding. As at the date of this Notice of Meeting no conversion has occurred as the lender has agreed to provide the Company with extensions in relation to the Repayment Amount, however should further extensions not be granted by the lender and in the event the Company is unable to repay the Repayment Amount as and when due, then the Repayment Amount would automatically convert into Shares in the manner described in the preceding paragraph.

### ***3C Group Loan Facility Agreement***

Under the 3C Group Facility Agreement, 3C Group IC Limited (re-named 3C Group Limited) (**3C Group**) agreed to lend to the Company an amount of US\$476,173.14 to repay an outstanding debt of the Company due to SeaBird Exploration Asia Pacific Pte Ltd (**SeaBird**), who had been contracted to undertake 2D seismic studies over the exploration area known as PPL579. Urgent funds were required to repay SeaBird and the monies borrowed from 3C Group avoided the payment of an additional US\$100,000 penalty fee.



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The terms of the 3C Group Loan Facility Agreement were subsequently amended to allow the lender to elect to accept repayment of the loan by way of an issue of shares at A\$0.10 per Share. If the Company subsequently issues Shares at a price lower than A\$0.10 then that lower price will be the issue price per Share and the number of Shares to be issued on conversion will be adjusted accordingly.

Interest accrues on the loan at 15% per annum. The lender has agreed to extend the term of the loan and it is now set for maturity (at which time it must be repaid or converted into Shares) on 12 April 2024.

#### ***Gazal Loan Facility Agreement***

Under the Gazal Loan Facility Agreement, Richard Gazal agreed to advance up to A\$1,000,000 to the Company (**Advanced Amounts**). The maturity date for the advance is 36 months from the date of the agreement or as agreed between the parties to the agreement. Interest accrues at a rate of 10% per annum on Advanced Amounts calculated from the date of receipt of the Advanced Amounts by the Company (**Interest Amount**). In the event the Company cannot repay the Advanced Amounts and the Interest Amount (together the **Amounts Due**) under the agreement, the Company must notify the lender and provide evidence to the satisfaction of the lender that the Company cannot pay the Amounts Due, following which the lender may at his sole discretion extend the repayment date of the Amounts Due by way of notice, or if no notice is issued, then the Amounts Due shall automatically convert into fully paid ordinary shares in the Company, the amount of shares issued being determined by dividing the Amounts Due by \$0.10. If the Company issues shares at a price lower than \$0.10 then that lower price will be the issue price per share and the conversion will be adjusted accordingly.

As at 31 May 2022 (the latest practicable date prior to the issue of this Notice of Meeting) A\$590,000 has been advanced by the lender to the Company under the Gazal Loan Facility Agreement and no Advanced Amounts have been repaid by the Company. No conversion has occurred as the maturity date under the agreement has not been reached, such date being 36 months from each draw down, however when the Advanced Amounts reach maturity and in the event the Company is unable to repay the Amounts Due, then the Amounts Due would automatically convert into Shares in the manner described in the preceding paragraph.

#### **3.4 Voting power of the Gazal Parties**

Shareholders should note that given the variables set out below, it is not possible to provide an exact number of Shares that may be issued to the Gazal Parties as a result of the Proposed Transaction, or the total increase in the Gazal Parties aggregate combined voting power pursuant to the Proposed Transaction (nor a definite range for either figure).

The number of Shares in which the Gazal Parties would have a relevant interest as a result of the Proposed Transaction, and the combined voting power of the Gazal Parties in the Company, will ultimately depend on:

- (a) the extent to which any of the Gazal Parties exercise any rights to convert the debt to Shares under the Convertible Instruments (if at all);
- (b) the total amount of accrued interest which is capitalised under the Convertible Instruments at the time of conversion;
- (c) the conversion price at which the shares are issued on conversion. The current conversion price under all Convertible Instruments is A\$0.10 per Share, but the terms of the Convertible Instruments allow for this price to be lowered if the Company issues shares at a lower price before conversion. If a lower price is used then more Shares will need to be issued;
- (d) the number of Shares on issue in the Company at the time of any conversion into Shares which will vest in one of the Gazal Parties; and



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- (e) the number of Shares in which the Gazal Parties have an existing relevant interest at the time of any conversion into Shares.

An issue of Shares under the Convertible Instruments (including any Shares issued in lieu of accrued interest) will increase the Gazal Parties aggregate combined voting power in the Company to more than 20%, which absent shareholder approval, would be prohibited by the Corporations Act.

The approval under Resolution 2 is to be capped at that number of Shares which would result in the Gazal Parties achieving a voting power of 80%. The Company has capped the approval at this level on the basis that it represents the current 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 which will continue to accrue until the maturity date of each of the convertible notes or convertible loans. The actual voting power obtained by the Gazal Parties will be dependent on the variables set out above. Whatever the case, the Gazal Parties will only be permitted to increase their aggregate voting power in the Company to the extent that they are entitled to do so in accordance with the approval obtained under Resolution 2 (or in other circumstances permitted by the Corporations Act).

If a further conversion would result in the Gazal Parties acquiring a voting power of more than 80%, the Gazal Parties will only be able to convert any notes or loans into Shares if such an acquisition complies with the Corporations Act (e.g. in accordance with a further shareholder approval under section 611, item 7, or potentially under the exemption in section 611, item 9).

The following table illustrates the combined potential voting power of the Gazal Parties as a result of the Proposed Transaction on the basis of the assumptions contained in the footnotes to the table. Those assumptions are indicative only and do not represent the only circumstances in which the Gazal Parties could achieve a voting power in the Company of 80%. For instance, if the Gazal Parties capitalise a greater amount of accrued interest (and all other assumptions hold), the Gazal Parties may be able to reach a similar voting power of 80% without a full conversion of rights under the Convertible Instruments.

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



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- 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 other than set out under paragraph 3.7 of this Notice of Meeting, any Gazal Party 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 May 2022 a total of A\$590,000 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 is based on interest being capitalised as at 30 June 2022..
  9. The number of shares to be issued on conversion of the Convertible Instruments is based on the lender having elected under each Convertible Instrument to convert the entire loan amount to shares as at 30 June 2022.
  10. Voting power is rounded to the nearest tenth of one percent.

**3.5 Potential impact on voting power of conversion of additional capitalised interest**

The illustration in section 3.4 shows interest having been capitalised at 30 June 2022, when all outstanding convertible notes are expected to be converted by Richard Gazal. However, should, for some reason, all convertible notes not be converted as at 30 June 2022 then interest will continue to accrue on the outstanding convertible loans 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 table is intended to assist shareholders assess 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 3.4 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
<b>No additional interest</b>	NIL	102,055,485	77.22%
<b>A\$50,000 in additional interest</b>	500,000	102,555,487	77.31%
<b>A\$100,000 in additional interest</b>	1,000,000	103,055,487	77.39%
<b>A\$200,000 in additional interest</b>	2,000,000	104,055,487	77.56%
<b>A\$500,000 in additional interest</b>	5,000,000	107,055,487	78.05%



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### **3.6 Transfer of shares among the Gazal Parties**

Mr Gazal is reviewing the structure of his business interests, including his interests in Larus. Following that review it is possible that Mr Gazal will look to transfer existing shares held by him to one or more other Gazal Parties. Any such transfer does not change the existing relevant interest or voting power that the registered holder and its associates has over the Shares in Larus. However, as part of the Proposed Transaction, approval is being sought for any Gazal Party to ultimately hold voting power of more than 20% as a result of a transfer of Shares to that entity, in addition to acquiring voting power of more than 20% as a result of the conversion of any convertible notes or convertible loans made to the Company.

### **3.7 The Gazal Parties intentions regarding their future shareholding**

Richard Gazal and entities linked to him have provided ongoing funding support to the Company because they continue to believe in the potential for oil and gas discoveries within PPL 579. That funding support may continue for the immediate future by virtue of the Gazal Loan Facility Agreement but it cannot be expected to continue forever, hence the rationale to seek partners with a similar interest in PPL 579 and who have greater financial means to fund the realisation of potential for oil and gas discoveries in PPL 579.

As noted above, Mr Gazal has provided notice to the Company that he, and his associated entities intend to convert 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 including interest, as at 30 June 2022, but subject to the shareholder approval being sought. It is not proposed that the more recent convertible loans are converted at this time. The conversion of all of the convertible notes 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, which will have a dilutive effect on the potential voting power of the Gazal Parties).

In such circumstances, the Gazal Parties have no intention to change the business of Larus despite its potential increased shareholding in the Company.

The Gazal Parties' intention is for Larus to operate sustainably whilst continuing to comply with relevant regulatory requirements wherever it operates. The Proposed Transaction does not result in any change to the Gazal Parties' representation on the Larus' board (the representation will continue to be through Richard Gazal as director and chair of a board of 4 directors), nor does it change those parties' non-control over management and financial policies or any cash flows of Larus. The Gazal Parties (through Richard Gazal's presence on the board) do not control any decision making regarding the acquisition and disposal of assets and the deployment of proceeds or the future employment of the Company's employees.

The Gazal Parties have no present intention to seek any significant change to the financial policies or potential dividend policy of the Company.

### **3.8 Information about the Gazal Parties**

Richard Gazal is a successful Australian businessman with extensive experience running Company's across a wide range of sectors. Through his family office he has a presence in





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Europe, the UK and Australia where his team maintains a specific focus on the oil and gas sector. He is a director and the chair of Larus, a position that he has held since 2014.

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 are managed entirely by the 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.

### **3.9 Independent Expert's Report**

Shareholders should carefully consider the accompanying Independent Expert's Report prepared by Hall Chadwick Corporate (NSW) Limited (**Hall Chadwick**) for the purpose of advising Shareholders of the Company (other than the Gazal Parties and their associates), whether the Proposed Transaction is fair and reasonable when considered in the context of the interests of those non-associated Shareholders. The Independent Expert's Report also includes a Technical Specialist's Report prepared by RISC.

The Independent Expert concludes that the proposed transaction is **fair and reasonable** to the non-associated Shareholders. Shareholders are recommended to review the Independent Expert's Report in its entirety and to consider the conclusions reached as well as the advantages and disadvantages of the Proposed Transaction identified by the Independent Expert before deciding how to vote.

### **3.10 Advantages and Disadvantages of the Proposed Transaction**

There are a number of advantages and disadvantages to the Company which Shareholders should consider in assessing the impact of the Proposed Transaction and the corresponding increase in the relevant interests and voting power of the Gazal Parties, in deciding on how to vote on Resolution 2.

The Directors believe that the key advantages and disadvantages of the Proposed Transaction are:

#### **Advantages**

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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 it was obtained, the Company would have not been able to continue as a going concern and would have been insolvent.

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The conversion of 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. (assumes an FX rate of (AUD/USD) \$0.72). If Resolution 2 is passed and Mr Gazal converts the convertible notes issued under the Convertible Note Deed and the Option Deed with an effective date of 30 June 2022 then the Company's debt will reduce by \$5,803,862 to a total estimated amount of \$3,215,981.**

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There will be no change in the primary operations of the Company.

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The Company's Board, excluding Richard Gazal, is of the opinion that the Proposed Transaction is in the best interests of the Company's Shareholders. Richard Gazal has abstained from providing an opinion in this regard, owing to his involvement with the Gazal Parties.

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## **Disadvantages**

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Existing Shareholders' shareholdings will be diluted by the Proposed Transaction.

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### **3.11 Consequences if Resolution 2 is not approved**

#### *Uncertainty of ability to repay loan amounts*

If Resolution 2 is not passed, it is unclear, considering the current financial position of the Company, how it will repay the amounts it has drawn down under the Convertible Instruments. This may lead to potential defaults under some or all of the Convertible Instruments and expose the Company to a risk that the lender may look to enforce its debt. The Company is not currently generating the cash flows that are sufficient to service and repay the amounts drawn down under Convertible Instruments.

#### *Likelihood of securing alternative financing arrangements*

If Resolution 2 is not passed, 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.

#### *Likelihood of securing future financing arrangements*

If Resolution 2 is not passed, the Company may not be able to raise capital from other sources on terms as favourable as those provided under the Convertible Instruments, to enable it to continue its core business activities. If future financing arrangements are not secured, the Company may not be able to continue to operate and may need to be wound up.

### **3.12 Application of Chapter 2E of the Corporations Act**

The Proposed Transaction is a related party transaction within the meaning of Chapter 2E of the Corporations Act. The Board has formed the view that Shareholder approval of the Proposed Transaction is not required under Chapter 2E of the Corporations Act because, for the purposes of section 210 of the Corporations Act, the Proposed Transaction is on arm's length terms and is reasonable in the circumstances.

Section 210 of the Corporations Act states:

*"Member approval is not needed to give a financial benefit on terms that:*

- (a) would be reasonable in the circumstances if the public company or entity and the related party were dealing at arm's length; or*



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(b) *are less favourable to the related party than the terms referred to in paragraph (a)."*

In forming this view, the Board has given regard, among other things, to the fact that the terms of the Convertible Instruments were negotiated on arm's length terms and to the opinion of Hall Chadwick in the Independent Expert's Report that the issue of shares under the Proposed Transaction is **fair and reasonable** to all non-associated Shareholders.

### **3.13 Other information**

The opinion of the Company is made at the date of this document and reflects circumstances and conditions as at that date. In particular, the Company provides no representations or warranties in relation to the future value of shares.

Shareholders who are in any doubt as to the action they should take in connection with Resolution 2 should consult their own independent professional adviser.

### **3.14 Recommendation of Directors**

The non-associated Directors (being all of the Larus directors excluding Richard Gazal), unanimously believe that the Proposed Transaction is in the best interests of the Company and recommend that Shareholders vote in favour of Resolution 2. Each of them intends to vote all shares controlled by them in favour of Resolution 2.

Owing to his interest in the outcome of Resolution 2, Richard Gazal does not make any recommendation in connection with Resolution 2.

## **4. Resolution 3 – Amendment to the Company's Constitution**

On 22 February 2022 Parliament enacted the *Corporations Amendment (Meetings and Documents) Act 2022*. This Act made permanent the temporary COVID-relief provisions regarding the use of technology for meetings, and in particular the ability for companies to hold entirely virtual meetings, subject to a company's constitution allowing for virtual meetings to be held.

Resolution 3 seeks approval of shareholders to amend the Company's constitution to include details on the types of general meetings that the Company may hold, including entirely virtual meetings. There is a substantial cost and time benefit of the Company having the flexibility with respect to how it holds its general meetings, as well as reflecting modern practice with respect to the conduct of those meetings.

### **Recommendation of Directors**

Each of the Directors recommends Shareholders vote in favour of Resolution 3. The Chair of the meeting intends to vote any undirected proxies on the resolution in favour of the amendments to the Constitution.