



Shareholder Update – Capital Raise

July 2022

Disclaimer

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Capital Raising

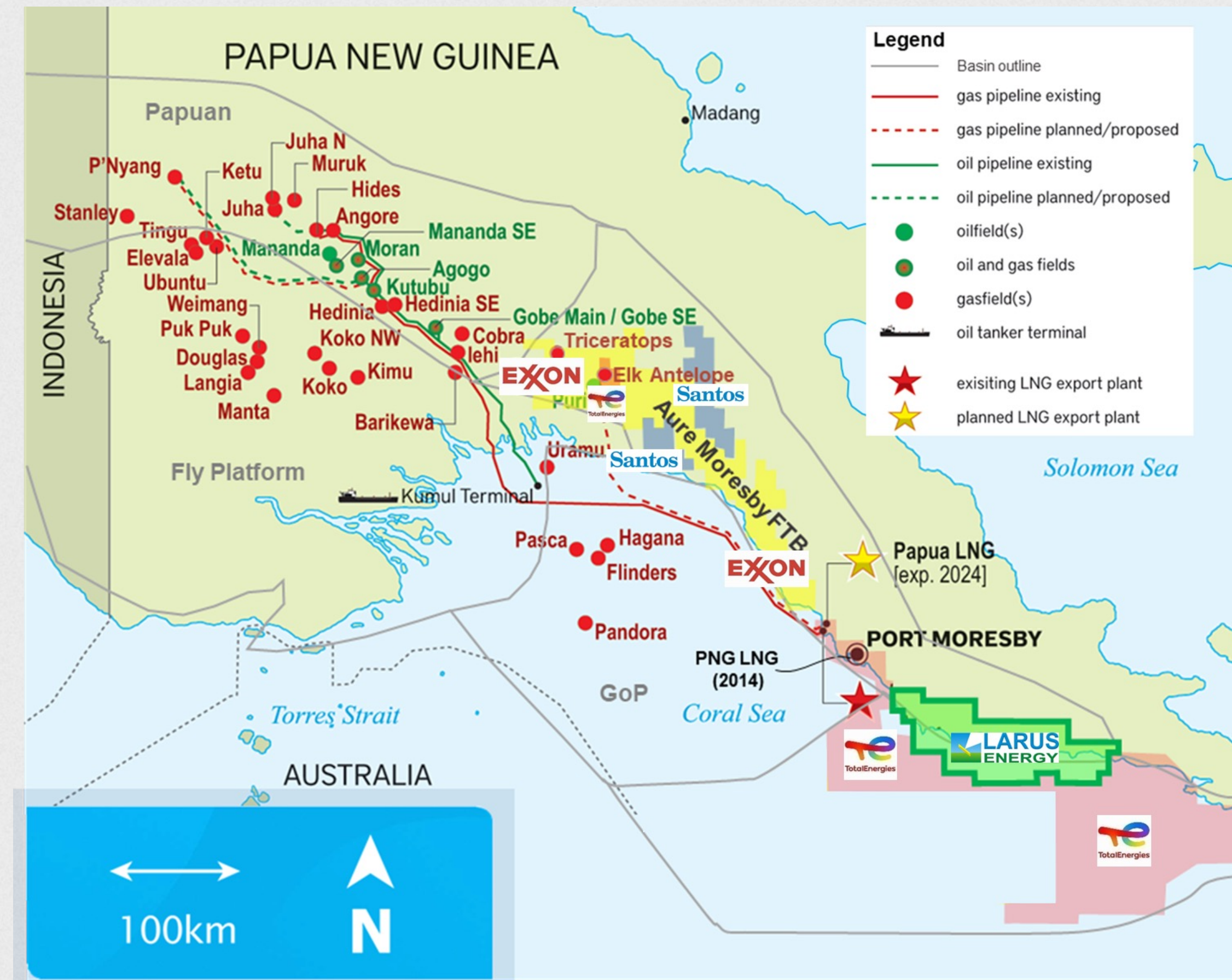
Larus Energy is today launching a capital raising to existing shareholders only, this coincides with the release of information relating to our 2022 AGM all of which can be found on our website: www.larusenergy.com.au

The purpose of the capital raise is to provide an opportunity for existing shareholders to acquire shares in the company at \$0.10c, the same price the Gazal Parties can convert convertible notes and convertible debt into shares in the company. This is the subject of a separate shareholder resolution to be proposed at the forthcoming AGM. The Gazal Parties will not participate in the capital raising.

Larus has recently completed a technical review of the data licenced from Searcher financed with the proceeds of the last capital raising as mentioned in our update of December 2021. This work was completed on time and on budget. Please refer to our PPL579 Perspectivity Highlights outlined on page 6. The Board believes that the prospectivity of the block has increased substantially and this places the company in a favourable position to attract a partner for a farm-out.

The Board also considers this capital raising as an avenue for shareholders to acquire further shares prior to what the Board hopes will result in a farm-out deal being achieved. It will also provide an opportunity for some shareholders to average down on their cost base or offset the dilutionary impacts of the potential conversion of the convertible notes and convertible loans referred to in the AGM Notice of Meeting (NoM) and accompanying Independent Experts Report (IER).

Funds will be used for working capital as the farm-out process intensifies. Importantly, as mentioned above, this raising coincides with the release of our NoM for the upcoming 2022 AGM at the end of July.



Capital Raising

The NoM includes a resolution seeking shareholder approval for the potential amalgamation of all Richard Gazal's (plus entities linked to him) holdings in Larus Energy into one entity and to seek approval to allow the Gazal Parties to convert various convertible notes and convertible loans in the future without breaching Chapter 6 of the Corporations Act. If the Gazal Parties are not able to convert their notes or loans, the Company will need to repay the debt owing, which at this stage, the Company does not have the proceeds to do. All necessary information has been provided, including an IER, to ensure shareholders can make a fully informed decision at the AGM and ahead of deciding whether to participate in this capital raising. The Board recommend that shareholders review the AGM materials (including the IER) and the risks set out on pages 7 and 8 before subscribing for any shares under the Capital Raising.

The capital raising up to \$2 million will be open to existing shareholders only for two (2) weeks:

Commencing 10th July 2022 & Closing 24th July 2022

The Board reserves the right to extend the offer period, close the offer early or to withdraw the offer, all at their absolute discretion.

Subscriptions to the capital raising can be made by emailing a completed and signed copy of the application form to the Company Secretary, Matthew Azar, at: matthew.azar@larusenergy.com.au

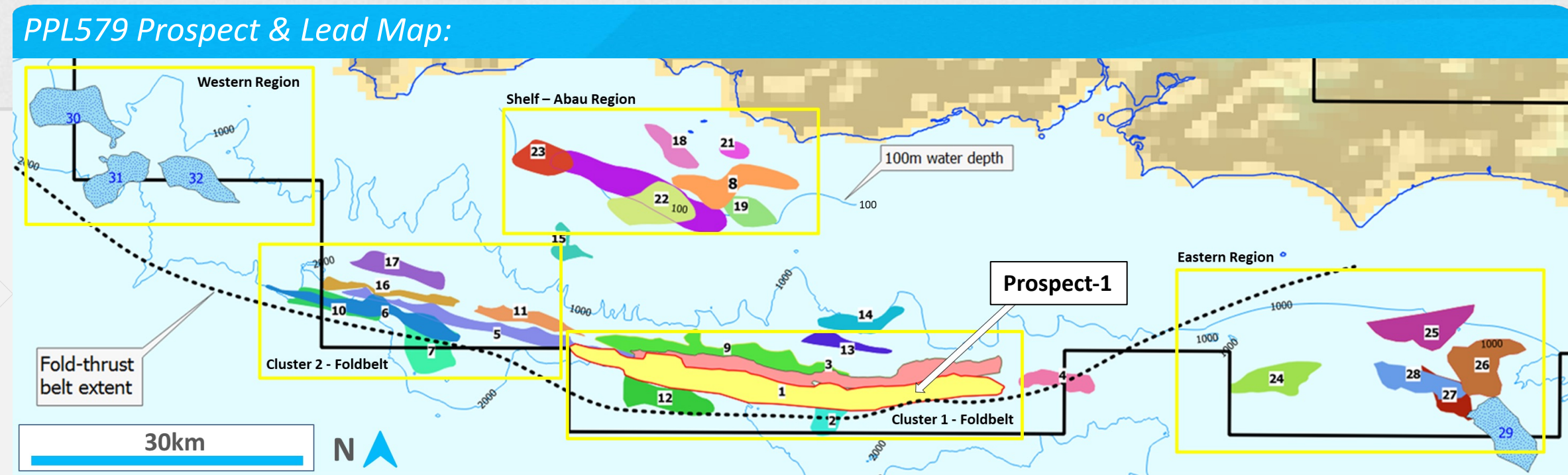
Application Form

The application form is attached to this email notice and also available for download on our website: www.larusenergy.com.au

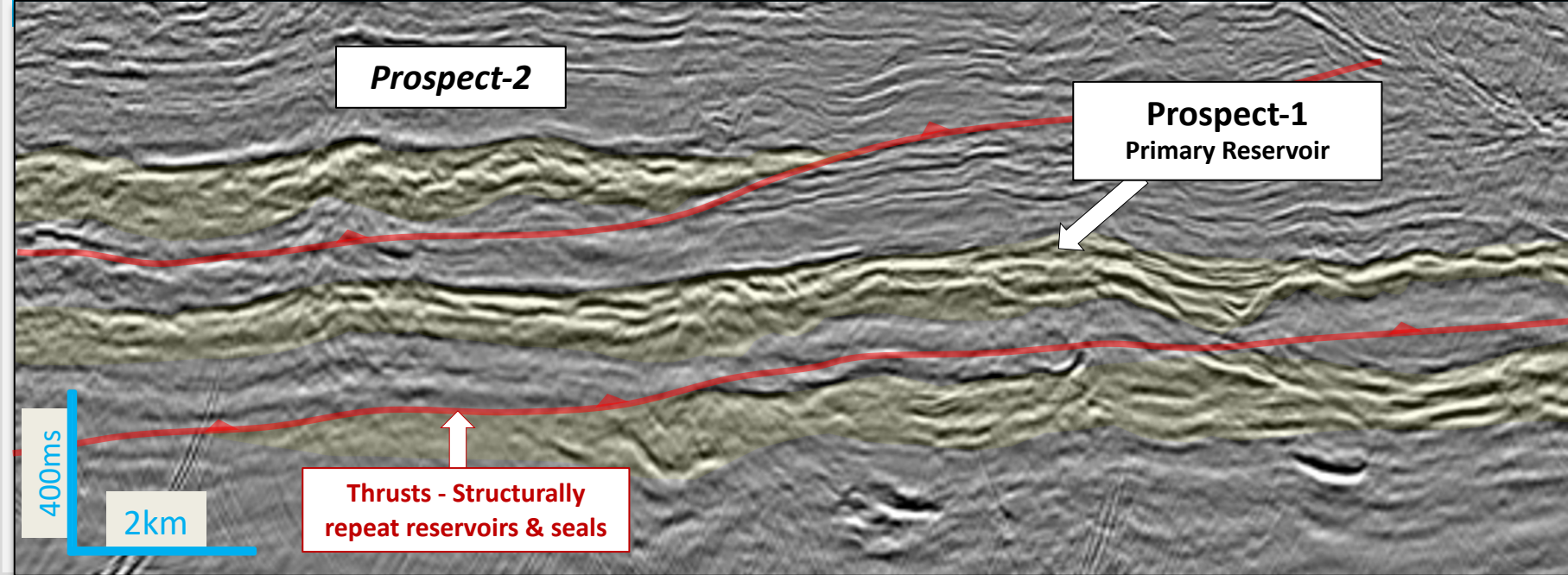


PPL579 Prospectivity Highlights

- Basin-Play opening potential
- Multi-billion-barrel prospect & lead portfolio
- Contains material standalone prospects
- Extensive running room within large acreage position



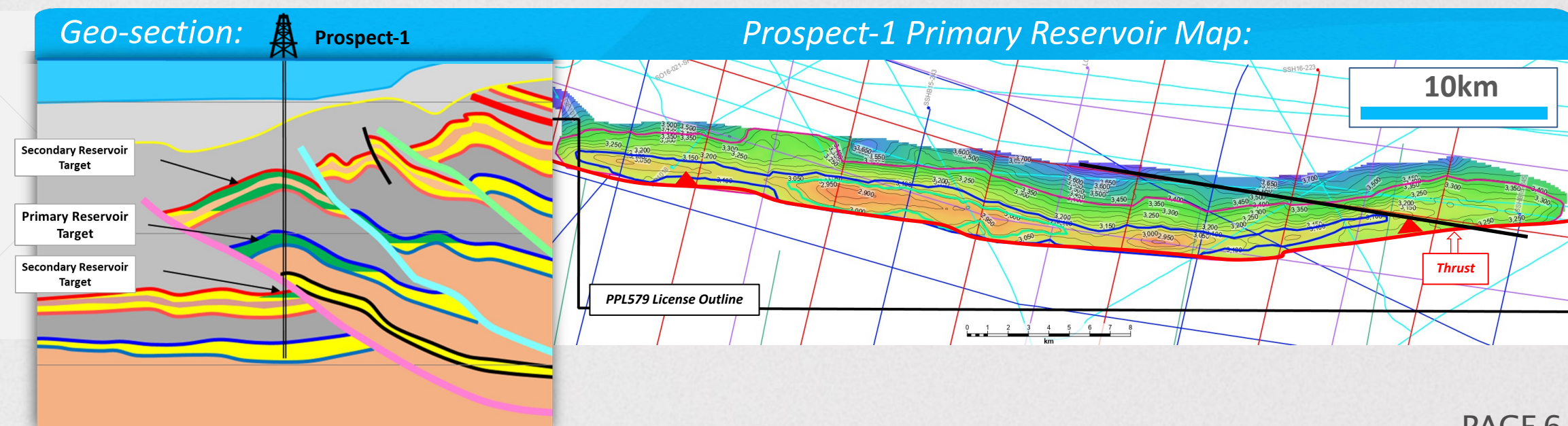
PPL-579 :Mid-Miocene Base Slope Channel & Fan Turbidite Reservoirs:



- Subsurface model revised with high-quality PSDM seismic and Geochem data
- Multiple play types: With focus on well imaged Mio-Pliocene turbidite reservoirs
- Imilia light oil seep & drop core data de-risks a working petroleum system
- PPL579 Contains the modelled mature kitchen, play sweet spots & 4-way traps

Prospect-1

Well covered with modern 2D seismic data
990 MMbbls aggregated MUR within thrust anticline trap
 Multi-pay potential with thick, stacked, laterally-extensive reservoirs



Key Risks

Risk Factor	Summary
Government, regulatory and political risks	<p>Larus Energy’s exploration activities are subject to the risks of operating in a foreign jurisdiction. These risks may affect Larus Energy’s exploration activities and the development and operation of projects in Papua New Guinea and may include, among other things, loss of revenue, property and equipment as a result of hazards such as expropriation, war, insurrection, acts of terrorism and other political risks, increases in taxes and governmental royalties, forced renegotiation of contracts with governmental entities, changes in laws and policies governing operations of foreign based companies, trade sanctions, currency restrictions and exchange rate fluctuations which could have a material adverse effect on its business and financial performance.</p> <p>The Company’s operations are also subject to various national, regional and local laws, regulations and approvals relating to the exploration of hydrocarbons. A change in the laws or regulations that govern it or the withdrawal of a licence permitting exploration would have a significant material adverse effect on Larus Energy’s business and financial condition, and could result in the Company ceasing to operate. For example, Larus Energy’s title to, or rights to recover, oil and gas are governed by and subject to law, regulations and contracts with the government of Papua New Guinea. These titles or rights, and the renewal of them, are in some cases subject to the discretion of the relevant government or government department and there is no guarantee that they will continue, or will be renewed.</p> <p>Larus Energy’s operations in the future may be affected by political developments and by national, regional and local laws and regulations, such as restrictions on production, changes in petroleum taxes, royalties and other amounts payable to governments or governmental agencies, price or gathering rate controls and environmental protection regulations. Further, Larus Energy’s operations are the focus of increasing governmental policy initiatives and sovereign interests. The actions of these governmental and sovereign interests to further their policy objectives could take the form of increased governmental regulations, changes in taxation regulation or taxation subsidies, nationalisation of resource assets, limitation on periods of lease retention, interference with confidentiality and availability of information and other governmental steps. Any of these actions could have a significant adverse effect on Larus Energy’s future operating model and could have a material adverse effect on its business and financial performance.</p> <p>Larus Energy may be exposed to risks relating to bribery and corruption or trade sanction violations. Refusal to participate in making facilitation payments or other forms of corrupt or illegal business practice could result in disruption or delay to its operations and restrictions on its ability to complete projects and secure further growth opportunities. Larus Energy’s exploration activities are subject to ongoing government approvals, and there is no assurance that such approvals will be obtained. Larus Energy may fail to prevent bribery or corruption, which could expose Larus Energy to substantial fines and penalties, litigation, loss of reputation and incur significant investigation and legal costs which could have a material adverse effect on its business and financial performance.</p>
Future access to capital, farm-out and counterparty risk	<p>To discover hydrocarbons, and to ultimately produce oil and gas, will require considerable capital.</p> <p>Larus Energy cannot fund its exploration program through its own financial resources, and as a consequence it is looking to farm-out to other operators an interest in its exploration licence in Papua New Guinea.</p> <p>If a farm-out agreement can be reached it may be complicated, have limited precedent and may require significant time and resources to negotiate and finalise. There is a risk that any joint venture partner may obtain a controlling interest and be able to control the exploration process going forward. There is no guarantee that any farm-out partner will ultimately invest capital and resources in Larus Energy’s existing permit in the discovery of hydrocarbons.</p> <p>There is no guarantee that a farm-out agreement will be reached, or if reached, the terms on which Larus Energy will agree to farm-out its interest to ensure the sustainability of the Company. If a farm-out agreement cannot be reached to assist fund Larus Energy’s exploration program, the Papua New Guinea government may remove Larus Energy’s exploration licence, and the Company may need to cease operations. There is also no guarantee that the Company would be able to raise further capital to fund other activities.</p>
Competition in exploration	<p>The exploration for oil and gas is competitive, especially, with regard to exploration for, and exploitation and development of new sources of oil and natural gas. Larus Energy’s competitors generally have greater size, which may give those competitors a competitive advantage in exploration, and be able to provide greater financial and other resources to accelerate exploration in permits adjoining to Larus Energy’s permit. As many of the world’s large oil fields approach natural depletion, exploration is becoming increasingly difficult and therefore expensive. Simultaneously, new discoveries of conventional hydrocarbons are reducing in number and in size, while tending to be more difficult to develop because of their location (e.g. remote or deep water) and/or their complexity. Production disruptions resulting from operating hazards, disruptions to the supply chain, natural phenomena such as inclement weather (including hurricanes or cyclones) or due to social or geopolitical factors such as terrorism or civil unrest, add to concerns about the security of oil and natural gas supplies.</p>

Key Risks	
Risk Factor	Summary
Operating hazards and natural disasters	<p>Larus Energy is subject to operating hazards normally associated with the exploration for, and potential production of oil and gas. Operating hazards along with natural disasters, inclement weather, acts of terrorism, operator error or other occurrences can result in adverse events, including, without limitation, additional costs, labour disruptions, fires, equipment failure and the possibility of pollution. The occurrence of any such operating hazard or risk could result in substantial losses to Larus Energy as well as regulatory action, legal liability and damage to Larus Energy's reputation.</p> <p>Additionally, Larus Energy's operations are often conducted in difficult or environmentally sensitive locations, in which the consequences of a spill, explosion, fire or other incident could be greater than in other locations. Accordingly, inherent in Larus Energy's operations is the risk that if it fails to abide by environmental and safety and protection standards, such failure could lead to damage to the environment and could result in regulatory action, legal liability, material costs and damage to its reputation or licence to operate. In certain circumstances, liability could be imposed without regard to Larus Energy's fault in the matter.</p>
Exploration of reserves	<p>Oil and natural gas exploration activities are subject to numerous risks, including the risk that data is not accurate or that any test drilling will not result in oil and natural gas that is commercially feasible. Exploration activities are frequently subject to unexpected problems, including unexpected drilling conditions, unanticipated pressure or irregularities in formation, equipment failures or accidents, adverse weather conditions and natural disaster or delays in the availability or delivery of drilling rigs and maintenance equipment, with no guarantee that such activities will result in the discovery of oil or gas. If Larus Energy ultimately fails to find reserves, its results of operations and financial condition will be adversely affected.</p>
General economic conditions	<p>Adverse changes in economic conditions including economic growth rates, interest rates, employment levels, market volatility, exchange rates, inflation rates, government policies, international economic conditions and employment rates amongst others are outside of Larus Energy's control, and have the potential to have an adverse impact on the future operational and financial performance of Larus Energy.</p>
Foreign exchange risk	<p>Larus Energy's financial statements are presented in Australian Dollars. Future changes in the exchange rates in the jurisdictions in which Larus Energy operates may adversely impact Larus Energy's operating and financial performance.</p>
Risk of unforeseen increased costs	<p>Larus Energy's future financial performance is dependent, to a certain extent, on the level of capital expenditure that is required to maintain its assets and exploration activities. Any significant unforeseen increase in the capital and operating costs associated with Larus Energy's oil and gas explorations would impact its future cash flow and any future profitability.</p>
Tax risks	<p>Larus Energy is exposed to any changes in regulatory conditions under which it operates in Australia and Papua New Guinea. Such regulatory changes can include, but are not limited to, changes in tax laws and policies, accounting laws, policies, standards and practices, laws and regulations that may impact upon the operations and business practices of Larus Energy and its management; and employment laws and regulations including laws and regulations related to occupational health and safety. Any change in the current rate of company income tax in Australia may impact upon the financial performance and cash flows, ability to pay dividends and Larus Energy's share price which in turn could impact shareholder returns.</p>
Disputes	<p>In the ordinary course of business, Larus Energy may be involved in disputes and/or litigation from time to time. Litigation disputes brought by third parties including, but not limited to governments, business partners and employees may adversely impact the financial performance and industry standing of the business.</p>
Force majeure events	<p>Events may occur within or outside Australia that could impact upon the Australian and Papua New Guinea economy, the Company and the price of Larus Energy's shares. These events are outside Larus Energy's control and include, but are not limited to, acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease (including pandemics) or other natural or man-made events or occurrences that can have an adverse effect on Larus Energy's ability to conduct business.</p>
Risk of shareholder dilution	<p>At this year's AGM, approval is being sought to allow the Gazal Parties to convert their existing convertible notes and convertible loans to shares in the Company should the holders of those notes and loans choose to do so. The result of any conversion will likely result in significant dilution of existing shareholders. However, if the Gazal Parties are prevented from converting their holdings, the Company will need to find the funds to repay the existing notes and loans at maturity, and there is no guarantee that the Company will be able to do so, in which case the Company would face the real risk of insolvency. Shareholders should carefully review the Independent Expert's Report accompanying the AGM notice of meeting before taking any decision.</p> <p>In addition, in the future Larus Energy may wish to elect to issue further shares or engage in capital raisings to help fund the growth of the Company. Should Larus Energy successfully engage in a capital raising and issue additional shares in the Company, shareholders at the time may be diluted as a result of the issue of Larus Energy shares.</p>
Other risks	<p>The above risks should not be taken as a complete list of the risks associated with an investment in Larus Energy or in Larus Energy shares. The risks outlined above and other risks not specifically referred to may in the future materially adversely affect the value of Larus Energy's shares and their performance. Accordingly, no assurance or guarantee of future performance or profitability is given by Larus Energy in respect of Larus Energy shares.</p>



The Company would like to thank
shareholders in advance for their
support.