Larus Energy Limited

ABN 16 140 709 360

and its Controlled Entity

Annual Report
For year ended 31 December 2023

LARUS ENERGY LIMITED
Corporate Directory

DIRECTORS
Richard Gazal
Richard Malcolm
Jon Adgemis
Joe Holloway

COMPANY SECRETARY
Matthew Azar

REGISTERED AND ADMINISTRATION OFFICE
Level 28, AMP Building
140 St Georges Tce, Perth, WA 6000

AUDITORS
In.Corp Audit & Assurance Pty Ltd (formerly known as Rothsay Audit & Assurance Pty Ltd)
Level 1, Lincoln House,
4 Ventnor Avenue,
West Perth, WA, 6005

BANKS
Commonwealth Banking Corporation
Bank South Pacific

LARUS ENERGY LIMITED

Contents

Your Directors present their report on the Group consisting of Larus Energy Limited (**Larus** or the **Company**) and the entity it controlled at the end of and during the year ended 31 December 2023.

Directors

Names, qualifications, experience and special responsibilities

The names of directors who held office during the period and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Richard Gazal - Non-executive Chairman
Mr Gazal is executive director of 3C Capital private family office, until late 2016 he was also executive director of Gazal Corporation, a post he held for over 15 years.

Richard is an entrepreneur with extensive experience running Company's across a wide range of sectors. Through 3C Capital, which has a presence in Europe the UK and Australia, the team maintains a specific focus on the oil & gas sector.

He is a major shareholder of Larus Energy.

Richard Malcolm, Non-executive Director
Mr Malcolm is a professional geoscientist with over 40 years of varied oil and gas experience within seven international markets including Australia/NZ/PNG, UK North Sea, Gulf of Mexico and the Middle East/ North Africa.

His latter roles from 2006 to 2013 included Managing Director of OMV UK and Managing Director of Gulfsands Petroleum, an AIM listed exploration and production company with operations in Syria, Tunisia, Morocco, USA and Colombia.

He is currently a Non-executive Director of Cue Energy Resources Limited.

Mr Jon Adgemis, Non-executive Director
Mr Adgemis' partnership at KPMG spanned 12 years with over 16 years' experience specialising in mergers and acquisitions across a range of sectors including retail, property, technology and media. Post KPMG, Jon is Founder and Principal at the JAGA Group, a property development group with an extensive commercial property portfolio. He is also a shareholder of Larus Energy.

Jon has significant experience in dealing with public company boards and the governance associated with this, as well as sitting on a number of advisory boards directly.

Mr Joe Holloway, Non-executive Director
Mr Holloway was appointed to the Australian board in December 2022. Joe is a PNG national who also sits on the board of the Company's wholly-owned subsidiary, Larus Energy (PNG) Limited. He represents the company in his capacity as a director on the Australian & PNG Larus entities.

Joe is a prominent businessman and managing director of a number of companies consisting of hotels, retail, property development and manufacturing in PNG, he is also a director of National Finance PNG and PNG Ports Limited.

Directors' interests in the shares and options of the Company and related bodies corporate

As at the date of this report, the relevant interests of the Directors whether direct or indirect, in the shares and options of the Company were:

	Number of Options	Number of fully paid ordinary shares
Mr Richard Gazal	-	74,936,932
Mr Richard Malcolm	100,000	2,982,000
Mr Jon Adgemis	-	401,755
Mr Joe Holloway	-	10,107,587
Mr Matthew Azar	-	2,217,200

There were no ordinary shares issued during the period as a result of the exercise of options.

Company Secretary

Matthew Azar B.Bus

Mr Azar has been in business and company secretarial consulting for several years and prior to that operated a successful business for 7 years following 10 years in operations at the Australian Jockey Club.

Principal Activities

The principal activity of the Group is the exploration for oil and gas. There has been no change in the principal activities during the year.

Operating and Financial Review

Review of operations

Papua New Guinea – PPL579

PPL 579 lies to the south east of Port Moresby covering parts of the Central Province and consists of 110 sub-blocks and covers an area of approximately 9,244km^2 (3,569 mi^2). PPL 579 lies approximately 47% onshore; and approximately 53% offshore. In the offshore the water depth is up to 2190m, with approximately 50% of the offshore license area in water depths of 200m or less.

The PPL579 licence term is for a period of 13-years, originally beginning in March 2017 with an initial 6-year term. In August 2021 the company was granted a 12-month extension to March 2024. In July 2022 the company was granted an additional 12-month extension to March 2025, with the ability to extend into the second term of the licence for a further 5 years to March 2030.

PPL579 is located in the eastern Aure Moresby fold-belt and the Papuan Plateau basins and can be described as a frontier area, as currently, no hydrocarbon exploration wells have been drilled in the region. Previous exploration activity was limited to surface geological mapping and a limited quantity of reconnaissance seismic survey data acquisition in the offshore. In 2015 & 2016, an increase in the acquisition of modern regional offshore 2D seismic data, led to a step change in the geological understanding of the region, the identification of new plays and uncovered a number of significant leads and prospects within the PPL 579 License. To derisk and to mature prospects to drill ready status, Larus in collaboration with Searcher, acquired the 1,855 sq. km Nanamarope MC3D seismic survey in May-June 2023, with the final seismic processing products under delivery from the processing contractor at the time of the writing of this report.

The G&G work conducted by Larus has significantly enhanced the petroleum prospectivity of the area. Gravity and magnetics modelling originally highlighted a thick sedimentary section in the Papuan Plateau basin, now termed the Torres Sub-Basin. Larus further progressed the derisking of the petroleum potential of the region with the discovery of the Imilia light live oil seep. Geochemical analysis of the Imilia seep and petroleum systems modelling has shown that the area has potential for both oil and gas accumulations. Extensive seismic interpretation and detailed geoscientific studies have been carried out on 2D seismic data and regional datasets to produce a robust prospect and lead portfolio. Larus was the first company to identify the presence of the Mid-Miocene turbidite sandstone play and to recognise its potential within significant thrusted anticline traps which are contained in the PPL 579 license area. A full work program is underway to maximise the potential of the Nanamarope 3D seismic dataset to further mature the substantial prospect portfolio and will form the platform to plan and execute exploration wells within PPL 579.

Larus has maintained its' strong relationships with the PNG Government and Regulator. With the acquisition and processing of the Nanamarope MC3D seismic survey Larus has far exceeded its Phase-3 commitments and the PPL 579 License is in good standing. A Kupiano presence has been maintained for community awareness matters, reconnaissance, fieldwork and seep sampling. The Kupiano office completed a successful stakeholder engagement program to ensure that all provinces, villages and fishermen were aware of the Nanamarope 3D acquisition offshore and the acquisition was incident free.

Dr M Swift - Overriding Royalty

The holder(s) of the interests in PPL 579 shall pay an Overriding Royalty to Dr M Swift of 0.5% of the Wellhead Value of all Petroleum produced and sold from tenement PPL579 in PNG.

No royalty was paid to Dr M Swift during the year (2022: nil).

Operating results for the year

The net result of operations after applicable income tax expense of the Group for the year ended 31 December 2023 was a loss of $15,764,793 (2022: $1,620,339).

Financial position and significant changes in state of affairs

The Company raised $734,582 of funding via loans and $14,133,715 via the issue of shares at $0.62 per share (2022: $430,000 of funding via loans and $448,500 via the issue of shares).

Cash on hand at 31 December 2023 totalled $100,896 (2022: $137,173).

Business strategies, and prospects for future financial years

The Group plans to continue exploration on its exploration licences in PNG and continues to actively seek farminees.

Dividends

No dividends were either paid or declared for the year.

The Directors do not recommend the payment of a dividend in respect of the financial year ended 31 December 2023.

Significant Changes in the State of Affairs

Other than mentioned in other parts of this report, there were no significant changes in the state of affairs of the Group during the financial period.

Environmental Regulations

Larus Energy Limited, through its subsidiary Larus (PNG) Limited, holds PPL579 in Papua New Guinea and is subject to various governmental statutes and guidelines for environmental impacts in relation to exploration activities. These provide for the satisfactory rehabilitation of the areas of exploration. There have been no known material breaches of the licence conditions.

Share Options

Unissued ordinary shares of Larus Energy Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number of options
2 February 2015	2 February 2026	$0.10	100,000
14 September 2020	2 February 2026	$0.10	100,000
15 October 2022	15 October 2025	$0.10	411,590
			611,590

The Options do not entitle the holder to participate in any share issue of the Company or any other body corporate. During or since the end of the financial year, the Company has not issued any shares as a result of the exercise of options.

Directors' Meetings

Attendance at Directors' meetings during the year

Directors	Eligible to attend	Attended
Richard Gazal	2	2
Richard Malcolm	2	2
Jon Adgemis	2	1
Joe Holloway	2	2

Indemnification and Insurance of Directors and Officers

Director Indemnity

The Company has, either during or since the end of the financial period, in respect of any person who is or has been an officer of the Company or a related body corporate, entered into deeds of access and indemnity with each director which includes indemnifying them against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings.

Director insurance

The Company, either during or since the end of the financial period, has paid premiums in respect of a Directors and Officers Insurance contract insuring each director against a liability incurred as an officer for the costs or expenses to defend legal proceedings. It is a term of the contract that all other terms remain confidential.

Indemnity and Insurance of Auditors

The Company has not, either during or since the end of the financial period, in respect of any person who is or has been an auditor of the Company or a related body corporate, indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings.

Auditors' Independence Declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 41.

Events Subsequent to Reporting Date

There has not arisen in the interval between the end of the period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations.

Likely Developments

The Company continues to identify and evaluate oil and gas exploration and evaluation opportunities that are perceived to offer outstanding value. As the Group's areas of interest are at an early stage of exploration, it is not possible to postulate likely developments from any of these exploration activities.

Proceedings on Behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Remuneration Report

The remuneration report, which has been audited, outlines the key management personnel remuneration arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Individual key management personnel disclosures

Details of KMP are set out below:

Key management personnel

(i) Directors

Mr Richard Gazal	Chairman
Mr Richard Malcolm	Non-Executive Director
Mr Jon Adgemis	Non-Executive Director
Mr Joe Holloway	Non-Executive Director

(ii) Executives

Alaister Shakerley	Exploration Manager
Mr Matthew Azar	Company Secretary

There have not been any changes to KMP after the reporting date and before the financial report was authorised for issue.

The remuneration report is set out under the following main headings:

A) Principles used to determine the nature and amount of remuneration
B) Senior management employment contracts and remuneration
C) Details of remuneration
D) Performance based compensation
E) Directors' and KMP interests in shares and options

A) Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance, being the development of the Larus Energy exploration tenements. The framework aligns executive reward with achievement of corporate strategic objectives and the creation of value for shareholders and conforms with market best practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage / alignment of executive compensation;
- transparency; and
- capital management.

The Group has structured an executive remuneration framework that is market competitive and complimentary to the reward strategy of the organisation.
Alignment to shareholders' interests:

- has economic profit as a core component of plan design;
- focuses on sustained growth in shareholder wealth and delivering constant return on assets as well as focusing the executive on key non-financial drivers of value; and
- attracts and retains high calibre executives. Alignment to programme participants' interests:
- rewards capability and experience;
- reflects competitive reward for contribution to growth in shareholder wealth;
- provides a clear structure for earning rewards; and
- provides recognition for contribution.

The framework provides a mix of fixed and variable pay, and a blend of short and long-term incentives.

Non-executive directors

The Constitution provides that the non-executive Directors are entitled to such remuneration as determined by the Directors, which must not exceed in aggregate $500,000 per annum or such other maximum annual amount determined by Larus Energy Limited in a general meeting. Such remuneration is to be apportioned among the non-executive Directors as the Directors determine.

The Board has set Directors' fees up to the following levels:
- Chairman - $70,000 pa; and
- Non-Executive Directors - $60,000 pa.

Non-executive Directors may be paid such additional or special remuneration as the Directors decide is appropriate where a non-executive Director performs extra services outside the scope of the ordinary duties of a Director provided that no such payment may be made if the effect would be to exceed the aggregate maximum sum referred to above.

Mr Gazal, as Chairman, and Mr Adgemis, as Non-Executive Director, have elected not to receive any Directors' fees at the current stage of the Company's development. Mr Malcolm continues to elect to receive a 50% reduction in fees to $30,000 p.a. from his originally agreed annual fee amount of $60,000 p.a. Over this time, Mr Malcolm continues to work as an executive director when required, at no additional cost to the company. Mr Joe Holloway also receives $30,000 p.a.

Executive Directors

The Constitution provides that the executive Directors are entitled to such remuneration as determined by the Directors.

The Constitution also makes provision for Larus Energy Limited to pay all expenses of Directors in attending meetings and carrying out their duties.

B) Senior management employment contracts and remuneration

Mr Alaistair Shakerley – Exploration Manager

Pursuant to a services agreement dated 15th October 2020, the following contract was entered into: with effect on and from 5th October 2020, Larus contracted Mr Shakerley as Exploration Manager of Larus Energy on a total minimum annual service contract of USD 96,000.

C) Details of remuneration

Amounts of remuneration

Details of the remuneration of the Directors and the key management personnel of the Group are set out in the following tables.

The key management personnel of Larus Energy Limited and the Group include the Directors, Company Secretary and the Exploration Manager.

2023	Short-term benefits			Post-employment benefits	Share-based payments		
$	Salary	Directors' Fees	Consulting		Shares	Options	Total
Directors							
Richard Gazal	-	-	-	-	-	-	-
Richard Malcolm	30,000	-	-	2,920	42,000	-	74,920
Mr Jon Adgemis	-	-	-	-	-	-	-
Mr Joe Holloway	30,000	-	-	3,300	35,000	-	68,300
Total Directors	**60,000**	**-**	**-**	**6,220**	**77,000**	**-**	**143,220**
Other key management personnel							
Alaistair Shakerley	-	-	140,351	-	-	-	140,351
Matthew Azar	-	-	-	-	-	-	-
Total other KMPs	**-**	**-**	**140,351**	**-**	**-**	**-**	**140,351**
Totals	**60,000**	**-**	**140,351**	**6,220**	**77,000**	**-**	**283,571**

2022 $	Short-term benefits Salary	 Directors' Fees	 Consulting	Post-employment benefits	Share-based payments Shares	 Options	Total
Directors							
Richard Gazal	-	-	-	-	-	-	-
Richard Malcolm	19,800	-	-	2,030	153,500	-	175,330
Mr Jon Adgemis	-	-	-	-	-	-	-
Mr Joe Holloway (appointed 14 December 2022)	-	-	-	-	-	-	-
Simon Kaiwi (resigned 30 September 2022)	4,500	-	-	-	32,400	-	36,900
Total Directors	**24,300**	**-**	**-**	**2,030**	**185,900**	**-**	**212,230**
Other key management personnel							
Alaistair Shakerley	-	-	167,384	-	-	-	167,384
Matthew Azar	-	-	-	-	157,840	-	157,840
Total other KMPs	**-**	**-**	**167,384**	**-**	**157,840**	**-**	**325,224**
Totals	**24,300**	**-**	**167,384**	**2,030**	**343,740**	**-**	**537,454**

D) Performance based compensation

Options

No options over ordinary shares in the Company were provided as remuneration to a Director of the Group or key management personnel of the Group during the financial year.

Shares issued on the exercise of options

No ordinary shares of Larus Energy Limited were issued during the year ended 31 December 2023 (2022– Nil) on the exercise of options granted. No further shares have been issued since that date on the exercise of options granted. No amounts are unpaid on any of the shares.

E) Directors' and KMP interests in shares and options

The relevant interest of each directors and key management personnel in office during the years ended 31 December 2023 and 2022 in the share capital of the Company as at the date of this report was as follows:

Shareholdings

2023	Balance at the start of the year / appointment	Received as part of remuneration	Additions	Disposals / others	Balance at the end of the year/date of resignation
Directors					
Richard Gazal	69,877,175	-	5,609,757	-	75,486,932
Richard Malcolm	2,562,000	420,000	-	-	2,982,000
Jon Adgemis	401,755	-	-	-	401,755
Mr Joe Holloway	-	350,000	9,757,587	-	10,107,587
Other key management personnel					
Alaistair Sharkerley	-	-	-	-	-
Matthew Azar	1,917,200	-	300,000	-	2,217,200

2022	Balance at the start of the year / appointment	Received as part of remuneration	Additions	Disposals / others	Balance at the end of the year/date of resignation
Directors					
Richard Gazal	11,857,055	-	58,020,120	-	69,877,175
Richard Malcolm	527,000	1,535,000	500,000	-	2,562,000
Jon Adgemis	401,755	-	-	-	401,755
Mr Joe Holloway (appointed 14 December 2022)	-	-	-	-	-
Simon Kaiwi (resigned 30 September 2022)	1,042,860	324,000	-	-	1,366,860
Other key management personnel					
Alaistair Sharkerley	-	-	-	-	-
Matthew Azar	338,800	1,578,400	-	-	1,917,200

Options over ordinary shares

2023	Balance at the start of the year /appointment	Granted	Exercised	Expired/ forfeited / other	Balance at the end of the year/date of resignation
Directors					
Richard Gazal	-	-	-	-	-
Richard Malcolm	100,000	-	-	-	100,000
Jon Adgemis	-	-	-	-	-
Mr Joe Holloway	-	-	-	-	-
Other Key Management Personnel					
Alaistair Sharkerley	-	-	-	-	-
Matthew Azar	-	-	-	-	-

2022	Balance at the start of the year /appointment	Granted	Exercised	Expired/ forfeited / other	Balance at the end of the year/date of resignation
Directors					
Richard Gazal	-	-	-	-	-
Richard Malcolm	100,000	-	-	-	100,000
Jon Adgemis	-	-	-	-	-
Mr Joe Holloway (appointed 14 December 2022)	-	-	-	-	-
Simon Kaiwi (resigned 30 September 2022)	200,000	-	-	100,000	100,000
Other Key Management Personnel					
Alaistair Sharkerley	-	-	-	-	-
Matthew Azar	-	-	-	-	-

This concludes the remuneration report, which has been audited.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

This report is made in accordance with a resolution of the Directors pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

Mr Richard Gazal
Chairman

26 April 2024

LARUS ENERGY LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 $	2022 $
Revenue		-	-
Expenses			
Interest Expense		(272,076)	(488,198)
Exploration and evaluation costs		(40,720)	(181,953)
Administrative expenses		(472,504)	(450,470)
3D Seismic Expenditure		(14,840,984)	-
Depreciation		(8,734)	(4,475)
Employment costs		(106,343)	(81,457)
Share based payments expense	27	(131,000)	(367,201)
Foreign currency gain/(loss)		107,568	(46,585)
Loss before income tax expense		**(15,764,793)**	**(1,620,339)**
Income tax benefit	9	**-**	**-**
Loss after income tax benefit		**(15,764,793)**	**(1,620,339)**
Other comprehensive income			
Exchange differences on translating foreign controlled entities	18	**63,429**	**(63,077)**
Other comprehensive income for the year		**63,429**	**(63,077)**
Total comprehensive income		**(15,701,364)**	**(1,683,416)**
Basic and diluted loss per share (cents)	8	(13.61)	(4.02)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

LARUS ENERGY LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Note	2023 $	2022 $
CURRENT ASSETS			
Cash and cash equivalents	10	100,896	137,173
Trade and other receivables	11	279,633	42,716
TOTAL CURRENT ASSETS		**380,529**	**179,889**
NON-CURRENT ASSETS			
Property, plant and equipment	12	16,766	18,375
TOTAL NON-CURRENT ASSETS		**16,766**	**18,375**
TOTAL ASSETS		**397,295**	**198,264**
CURRENT LIABILITIES			
Trade and other payables	13	1,066,783	411,123
Borrowings	14	4,347,634	3,372,351
Lease liabilities	15	3,385	6,100
TOTAL CURRENT LIABILITIES		**5,417,802**	**3,789,574**
NON-CURRENT LIABILITIES			
Lease liabilities	15	9,226	1,774
TOTAL NON-CURRENT LIABILITIES		**9,226**	**1,774**
TOTAL LIABILITIES		**5,427,028**	**3,791,348**
NET ASSETS		**(5,029,733)**	**(3,593,084)**
SHAREHOLDERS' EQUITY			
Issued capital	16	40,434,247	26,169,532
Foreign currency translation reserve	18	(1,227,294)	(1,290,723)
Option reserve	18	40,006	50,006
Accumulated losses		**(44,276,692)**	**(28,521,899)**
TOTAL EQUITY		**(5,029,733)**	**(3,593,084)**

The above statement of financial position should be read in conjunction with the accompanying notes.

LARUS ENERGY LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

	Issued Capital	Accumulated Losses	Foreign Currency Translation Reserve	Share Based Payments Reserve	Total
	$	$	$	$	$
At 31 December 2021	**19,575,280**	**(26,901,560)**	**(1,227,646)**	**26,545**	**(8,527,381)**
Transactions with owners in their capacity as owners					
Issue of shares	792,240	-	-	-	792,240
Issue of options	-	-	-	23,461	23,461
Conversion of loan to equity	5,802,012	-	-	-	5,802,012
	6,594,252	-	-	23,461	6,617,713
Loss for the year	-	(1,620,339)	-	-	(1,620,339)
Exchange differences on translating foreign controlled entities	-	-	(63,077)	-	(63,077)
Total comprehensive income for the year	-	(1,620,339)	(63,077)	-	(1,683,416)
At 31 December 2022	**26,169,532**	**(28,521,899)**	**(1,290,723)**	**50,006**	**(3,593,084)**
Transactions with owners in their capacity as owners					
Issue of shares	14,264,715	-	-	-	14,264,715
Issue of options	-	-	-	-	-
Transfer of expired options	-	10,000	-	(10,000)	-
	14,264,715	10,000	-	(10,000)	14,264,715
Loss for the year	-	(15,764,793)	-	-	(15,764,793)
Exchange differences on translating foreign controlled entities	-	-	63,429	-	63,429
Total comprehensive income for the year	-	(15,764,793)	63,429	-	(15,701,364)
At 31 December 2023	**40,434,247**	**(44,276,692)**	**(1,227,294)**	**40,006**	**(5,029,733)**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

LARUS ENERGY LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 $	2022 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(635,074)	(742,081)
Payments for 3D seismic exploration and evaluation		(14,229,908)	-
Interest paid		(30,150)	(1,689)
NET CASH OUTFLOWS FROM OPERATING ACTIVITIES	26	**(14,895,132)**	**(743,770)**
CASH FLOWS FROM INVESTING ACTIVITIES			
NET CASH OUTFLOWS FROM INVESTING ACTIVITIES		**-**	**-**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares, net of share issue costs		14,133,715	448,500
Proceeds from loans		734,582	430,000
Repayment of lease liabilities		(9,442)	(2,983)
NET CASH INFLOWS FROM FINANCING ACTIVITIES		**14,858,855**	**875,517**
NET (DECREASE)/INCREASE IN CASH HELD		**(36,277)**	**131,747**
Cash and cash equivalents at the beginning of the financial		137,173	5,426
Cash and cash equivalents at the end of the financial year	10	**100,896**	**137,173**

The above statement of cash flows should be read in conjunction with the accompanying notes.

1. MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policies adopted in the preparation of the financial report are set out below. The consolidated financial statements and notes represent those of Larus Energy Limited (the “Company”) and its controlled entity (the “Consolidated Group” or “Group”).

The separate financial statements of the parent entity, Larus Energy Limited, have not been presented within this financial report as permitted by amendments made to the *Corporations Act 2001*. Supplementary information about the parent entity is disclosed in Note 4.

The financial report was authorised for issue, in accordance with a resolution of directors, on 17 April 2023. The directors have the power to amend and reissue the financial report.

(a) Basis of preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*, as appropriate for for-profit entities.

Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board ('IASB'). Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(b) Change in Accounting Policy

The Company has adopted AASB 2021-2, *Amendments to Australian Accounting Standards - Disclosure of Accounting Policies and Definition of Accounting Estimates* 1 January 2023. As a result, only material accounting policy information is disclosed within these financial statements.

(c) Going concern

The Group incurred a net loss after tax for the year ended 31 December 2023 of $15,764,793 (2022: $1,620,339) and a net cash outflow from operations of $14,895,132 (2021: $908,259). The Group had cash on hand of $100,896 (2022: $137,173) and its current liabilities exceed the current assets by $5,037,273 (2022: $3,609,685).

1. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(c) Going concern (continued)

The financial statements are prepared on a going concern basis as the Company has sufficient resources to meet its liabilities as and when they fall due for the next twelve months based on the following:

- The Group has proven it's ability to raise funds, as per the latest capital raise of $14,133,715 during the financial year. The Group will continue to raise additional funds via proposed capital raisings on a timely manner in order to fund the activities of the Group;
- The continued financial support from the Company's directors; and
- The Group will commenced discussions with potential farm out partners, following completion of the 3D seismic interpretation.

The Directors have reviewed the business outlook and cash flow forecasts after taking into account the above matters and are of the opinion that the use of the going concern basis of accounting is appropriate as the Directors believe the Group will achieve the matters set out above and be able to pay its debts as and when they fall due.

Should the Group be unable to continue as a going concern it may be required to realise its assets and discharge its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount of liabilities that might result should the Group be unable to continue as a going concern and meet its debts as and when they fall due.

These conditions give rise to a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern.

(d) Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method. Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

(e) Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. On this basis, the Company has elected to expense all exploration and evaluation expenditure.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

1. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(e) Exploration and evaluation expenditure

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of oil and gas plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the oil and gas permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly, the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

(f) Foreign currency translation

Functional and presentation currency
The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency. The Australian controlled entities functional currencies are in Australian dollar while the PNG controlled entities functional currencies are in PNG Kina.

Transactions and balances
Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined. Exchange differences arising on the translation of monetary items are recognised in the statement of profit or loss and other comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the statement of profit or loss and other comprehensive income.

Group companies
The financial results and position of foreign operations, whose functional currency is different from the Group's presentation currency, are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at the end of the reporting period;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

1. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the statement of profit or loss and other comprehensive income in the period in which the operation is disposed.

(g) Application of new and revised Accounting Standards

New, revised or amending Accounting Standards and Interpretations adopted

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

New standards and interpretations not yet adopted

There are no standards that are not yet effective that would be expected to have a material impact on the Group in the current or future reporting periods and on future transactions.

2. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks; market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Group's functional currency.

(ii) Credit risk

There is negligible credit risk on financial assets of the Group since there is no exposure to individual customers or countries and the economic entity's exposure is limited to the amount of cash, short term deposits and receivables which have been recognised in the statement of financial position and is minimised by using recognised financial intermediaries as counterparties.

(iii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed finance facilities.

This is discussed further in Note 25.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. There are no estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Exploration and evaluation expenditure

The Group's accounting policy for exploration and evaluation expenditure results in expenditure being capitalised for an area of interest acquired where it is considered likely to be recoverable by future exploitation or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. This policy requires management to make certain estimates as to future events and circumstances, in particular whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised the expenditure under the policy, a judgement is made that recovery of the expenditure is unlikely, the relevant capitalised amount will be written off to profit and loss.

Share based payments

The Group measures the cost of equity-settled transactions, including acquisition costs, payments for services rendered and transactions with employees, by reference to the fair value of the equity instruments at the date at which they are granted.

The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted, including an option-pricing adjustment for non-transferability of the options.

Further details of all relevant terms and conditions and assumptions are contained in Note 27.

4. PARENT COMPANY INFORMATION

	2023 $	2022 $
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Current assets	169,448	163,896
Non-current assets	12,526,733	8,450,945
TOTAL ASSETS	12,696,181	8,614,841
LIABILITIES		
Current liabilities	5,385,211	3,784,284
Non-current liabilities	-	-
TOTAL LIABILITIES	5,385,211	3,784,284
EQUITY		
Issued capital	40,434,247	26,169,532
Reserves	(1,174,552)	(1,239,278)
Accumulated losses	(31,948,725)	(20,099,697)
TOTAL EQUITY	7,310,970	4,830,557
STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME		
Net (loss) for the year, net of tax	(11,849,028)	(1,541,327)
Other comprehensive income, net of tax	-	-
TOTAL COMPREHENSIVE INCOME	(11,849,028)	(1,541,327)

Guarantees

Larus Energy Ltd has not entered into any guarantees, in the current financial year, in relation to the debts of its controlled entities.

Contingent liabilities

At 31 December 2023, Larus Energy Limited had no contingent liabilities (31 December 2022 – Nil).

Contractual commitments

At 31 December 2023, Larus Energy Limited had not entered into any contractual commitments for the acquisition of property, plant and equipment (31 December 2022 – Nil).

	2023 $	2022 $

5. KEY MANAGEMENT PERSONNEL COMPENSATION

	2023 $	2022 $
Short-term employee benefits	60,000	191,684
Post-employment benefits	6,220	2,030
Share-based payments	97,500	343,740
	163,720	537,454

6. REMUNERATION OF AUDITORS

	2023 $	2022 $
Audit of the consolidated financial report	9,000	8,190
	9,000	8,190

7. SEGMENT REPORTING

The Group operates predominately in the oil and gas exploration industry. For management purposes, the Group is organised into one main operating segment, which involves the exploration for oil and gas in Papua New Guinea. All of the Group's activities are inter-related and discrete financial information is reported to the Board (Chief Operating Decision Maker) as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment. The financial results from this segment are equivalent to the financial results of the Group as a whole.

8. BASIC AND DILUTED LOSS PER SHARE

	2023 $	2022 $
Net loss from ordinary activities after income tax expense	15,764,793	1,620,339
Weighted average number of shares used in basic and diluted loss per	115,840,957	41,788,486
Basic and diluted loss per share (cents per share)	(13.61)	(4.02)
Anti-dilutive options on issue not used in dilutive EPS calculation	611,590	661,590

	2023 $	2022 $

9. TAXATION

The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense in the financial statements as follows:

	2023 $	2022 $
Net loss before tax from ordinary activities	(15,764,793)	(1,620,339)
Income tax (benefit) calculated at 25% of operating loss (2022: 25%)	(3,941,198)	(405,085)
Deferred tax amounts not recognised	3,941,198	405,085
Income tax benefit	-	-
Deferred tax balances not recognised		
calculated at 25% not brought to account as assets:		
Revenue tax losses available for offset against future taxable income	7,219,322	3,278,124

The taxation benefits of revenue tax losses and temporary differences not brought to account will only be obtained if:

(i) the Company and the Group derive further assessable income of a nature and of an amount sufficient to enable the benefit from the deductions to be realised;
(ii) the company and the Group continue to comply with the conditions for deductibility imposed by the law; and
(iii) no changes in tax legislation adversely affect the company's and the Group's ability in realising the benefit from the deductions.

10. CASH AND CASH EQUIVALENTS

	2023 $	2022 $
Cash at bank and on hand	100,896	137,173
	100,896	137,173

11. TRADE AND OTHER RECEIVABLES

	2023 $	2022 $
Other debtors	258,037	17,587
Advance to employees	11,609	14,667
Prepayments	9,987	10,462
	279,633	42,716

12. PROPERTY, PLANT AND EQUIPMENT

	2023 $	2022 $
Computer Hardware and Software		
Cost	42,448	42,448
Accumulated depreciation	(42,448)	(42,448)
	-	-
Plant and equipment		
Cost	48,906	49,142
Accumulated depreciation	(45,331)	(38,915)
	3,575	10,227
Motor vehicles		
Cost	168,026	177,703
Accumulated depreciation	(167,203)	(176,832)
	823	871
Leasehold improvements		
Cost	18,691	18,691
Accumulated depreciation	(18,691)	(18,691)
	-	-
Total Plant and Equipment	4,398	11,098
Right-of-use Asset		
Cost	14,479	12,369
Accumulated depreciation	(2,111)	(5,092)
	12,368	7,277
Total Property, Plant and Equipment	16,766	18,375

	2023 $	2022 $

12. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of movements in property, plant and equipment

	Plant and Equipment $	Motor Vehicles $	Right of Use Asset $	Total $
Year ended 31 December 2023				
Balance at the beginning of year	10,227	871	7,277	**18,375**
Additions	-	-	14,479	**14,479**
Disposals	-	-	(7,277)	**(7,277)**
Depreciation expense	(6,623)	-	(2,111)	**(8,734)**
Foreign exchange impact	(29)	(48)	-	**(77)**
Balance at the end of the year	**3,575**	**823**	**12,368**	**16,766**

	Plant and Equipment $	Motor Vehicles $	Leasehold Improvements $	Right of Use Asset $	Total $
Year ended 31 December 2022					
Balance at the beginning of year	11,357	819	27	10,565	**22,768**
Additions	-	-	-	-	**-**
Disposals	-	-	-	-	**-**
Depreciation expense	(1,160)	-	(27)	(3,288)	**(4,475)**
Foreign exchange impact	30	52		-	**82**
Balance at the end of the year	**10,227**	**871**	**-**	**7,277**	**18,375**

13. TRADE AND OTHER PAYABLES

	2023 $	2022 $
Trade creditors	705,321	92,682
Unpaid expense claims (i)	301,317	297,471
Sundry creditors and accruals	60,145	20,970
	1,066,783	411,123

(i) The Company has incurred a liability for operating expenses, including national and international travel and accommodation, for exploration and senior management in prior years. The amounts have been paid personally by Mr Richard Gazal, a Director of the Company. No interest has been accrued for this outstanding amount.

14. BORROWINGS

	2023 $	2022 $
Current		
Convertible loan facilities (i) – (vi)	4,347,634	3,372,351
	4,347,634	3,372,351

(i) The Company entered into a 12 month convertible loan facility agreement with JAGA Securities Pty Ltd AFT JAGA Investment Trust (the Lender), a company associated with Director, Mr Jon Adgemis, on 10 May 2018 for a facility of $200,000. The Company may draw down on the facility in amounts agreed by the parties and bears interest of 15% per annum from the date of each draw down of funds. Interest is payable at maturity or capitalised. The loan is convertible into fully paid ordinary shares if the Company is unable to repay the loan in which case it is convertible into fully paid ordinary shares unless the Lender gives the Company a notice of extension. Principal and interest accrued, but not yet paid, for the year ended 31 December 2023 was $340,240. The convertible loan is unsecured.

(ii) The Company entered into a 12 month convertible loan facility agreement with Richard Gazal (the Lender), on 15 March 2019 for a facility of $200,000. The Company may draw down on the facility in amounts agreed by the parties and bears interest of 15% per annum from the date of each draw down of funds. Interest is payable at maturity or capitalised. The loan is convertible into fully paid ordinary shares if the Company is unable to repay the loan in which case it is convertible into fully paid ordinary shares unless the Lender gives the Company a notice of extension. This facility was increased by an additional $200,000 under the same terms on 15 July 2019, 2 December 2019 and 29 April 2020. Principal and interest accrued, but not yet paid, for the year ended 31 December 2023, was $1,228,848. The convertible loan is unsecured.

(iii) The Company entered into a loan facility agreement on 28 June 2021 with Richard Gazal (the lender) for a facility of $1,000,000. The Company may draw down the facility in the amounts agreed by the parties and bears interest of 10% per annum from the date of each draw down of funds. Interest is payable at maturity or capitalised. The loan is convertible into fully paid ordinary shares if the Company is unable to repay the loan in which case it is convertible into fully paid ordinary shares unless the lender gives the Company a notice of extension. As at 31 December 2023, $670,000 of the total facility amount was drawn down. Principal and interest accrued, but not yet paid, for the year ended 31 December 2023 was $790,476. The loan is unsecured.

(iv) The Company entered into a loan agreement with 3C Group Limited (the Lender), on 12 April 2018 for a facility of $613,974. The facility is for a 3 year term and accrues interest of 15% per annum. Principal and interest accrued, but not yet paid, for the year ended 31 December 2023 outstanding on this amount is $1,241,098. The loan is unsecured.

(v) The Company entered into a convertible loan facility with Richard Gazal (the lender) on 24 October 2023 for a facility of US$250,000 (AUD$365,497). The Company may draw down the facility in the amounts agreed by the parties and bears interest of 10% per annum from the date of each draw down of funds. Interest is payable at maturity (12 months from the agreement date). The loan is convertible into fully paid ordinary shares if the Company is unable to repay the loan in which case it is convertible into fully paid ordinary shares unless the lender gives the Company a notice of extension. As at 31 December 2023, $365,497 of the total facility amount was drawn down. Principal and interest accrued, but not yet paid, for the year ended 31 December 2023 was $372,652. The loan is unsecured.

14. BORROWINGS (continued)

(vi) The Company entered into a convertible loan facility with Joe Holloway (the lender) on 24 October 2023 for a facility of US$250,000 (AUD$365,497). The Company may draw down the facility in the amounts agreed by the parties and bears interest of 10% per annum from the date of each draw down of funds. Interest is payable at maturity (12 months from the agreement date). The loan is convertible into fully paid ordinary shares if the Company is unable to repay the loan in which case it is convertible into fully paid ordinary shares unless the lender gives the Company a notice of extension. As at 31 December 2023, $292,398 of the total facility amount was drawn down. Principal and interest accrued, but not yet paid, for the year ended 31 December 2023 was $369,696. The loan is unsecured.

15. LEASES

The amounts recognised in the statement of profit or loss and other comprehensive income relating to leases where the Company is a lessee are shown below:

Interest expense	559	1,020
Depreciation of right-of-use assets	2,111	3,288
	2,670	4,308

(a) Lease Liabilities

The maturity analysis of lease liabilities based on contractual undiscounted cash flows is shown in the table below:

Year ended 31 December 2023	< 1 year	1-5 years	Total undiscounted lease liabilities	As in Statement of Financial Position
Lease liabilities	4,160	10,055	14,215	12,611

16. ISSUED CAPITAL

	2023	2022
	$	$
Ordinary shares - fully paid 132,272,541 (2022 – 107,903,040)	42,806,467	28,541,752
Less share issue costs	(2,372,220)	(2,372,220)
	40,434,247	26,169,532

Ordinary shares participate in dividends and the proceeds of winding up of the parent entity in proportion to the number of shares held.

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Movements in Issued Capital	Number of shares	$
Balance as at 31 December 2022	107,903,057	26,169,532
- 2023 Capital Raise ($0.62 per share)	23,059,484	14,133,715
- KMP and Consultant Share Allotments ($0.10 per share)	1,310,000	131,000
Balance as at 31 December 2023	132,272,541	40,434,247

17. OPTIONS

A summary of the movements of all company options on issue is as follows:

2023

Expiry Date	Exercise Price	Balance at 31 December 2022	Granted	Exercised	Expired	Balance at 31 December 2023
17 February 2023 (i)	0.20	50,000	-	-	(50,000)	-
2 February 2024	0.10	100,000	-	-	-	100,000
2 February 2024	0.10	100,000	-	-	-	100,000
15 October 2025 (iii)	0.10	411,590	-	-	-	411,590
		661,590	**-**	**-**	**(50,000)**	**611,590**

2022

Expiry Date	Exercise Price	Balance at 31 December 2021	Granted	Exercised	Expired	Balance at 31 December 2022
17 February 2023 (i)	0.20	50,000	-	-	-	50,000
2 February 2024	0.10	100,000	-	-	-	100,000
2 February 2024	0.10	100,000	-	-	-	100,000
3 August 2024 (ii)	0.20	49,590	-	-	(49,590)	-
3 August 2024 (ii)	0.10	93,500	-	-	(93,500)	-
15 October 2025 (iii)	0.10	-	411,590	-	-	411,590
		393,090	**411,590**	**-**	**(143,090)**	**661,590**

(i) 50,000 performance options issued to Dr Michael Swift expired during the year as these were unexercised.

(ii) Options were cancelled during the year and reissued on 15 October 2022 (see point (iii) below).

(iii) 411,590 options were granted to George Tucker on 15 October 2022 in lieu of brokerage fees. These held no vesting conditions and as such, vested immediately.

18. RESERVES

Foreign currency translation reserve
The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.

Option reserve
The option reserve records items recognised as expenses on valuations of employee share options.

19. CONTINGENT LIABILITIES

There are no contingent liabilities.

20. COMMITMENTS

Exploration Tenement Expenditure Commitments
In order to maintain the Group's tenements in good standing with Papua New Guinea, the Company will be required to incur exploration expenditure under the terms of each tenement.

PPL 579 (PNG)

PPL 579 was originally granted on 3 March 2017 for a period of 6 years covering 110 graticular blocks and is open to extension on 2 March 2023 for a further 5 years to 2 March 2028 covering an area of 55 graticular blocks. However, in August 2021 the company was granted a 12 month extension to March 2024, also, in July 2022 the company was granted an additional 12 month extension to March 2025, thus extending the 6 year period by 2 years to March 2025. The Company has made an application to the DPE for a further 5 years to March 2030 covering an area of 55 graticular blocks.

The annual license fee required is K500 per block equalling K55,000 (approximately AUD 25,011) per annum and a requirement to a K100,000 bank guarantee.

21. ROYALTIES

Applied GeothermEx Pty Ltd (M Swift) – Overriding Royalty
-The holders of the interests in PPL 579 are obligated to pay an Overriding Royalty to Dr Swift of 0.5% of the Wellhead Value of all Petroleum produced and sold from tenement PPL579 in PNG. No royalties have been paid to date.

22. PARTICULARS RELATING TO CONTROLLED ENTITIES

Company	Country of Incorporation and Operation	Percentage of Equity Held 2022	Percentage of Equity Held 2021
Larus Energy (PNG) Ltd	Papua New Guinea	100%	100%

23. RELATED PARTY DISCLOSURES

(a) Associates of directors

Director	Associated company
Richard Gazal	3C Consolidated Capital Pty Limited
John Adgemis	JAGA Securities Pty Ltd

(b) Transactions with related parties

Loans and borrowings – refer to note 14.

Other related party transactions comprises remuneration to key management personnel and share based payments – refer to the Remuneration Report.

24. EVENTS OCCURRING AFTER THE END OF THE FINANCIAL YEAR

There has not arisen in the interval between the end of the period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations.

25. FINANCIAL INSTRUMENTS DISCLOSURES

(a) Capital

The Group considers its capital to comprise its ordinary share capital, reserves and accumulated retained earnings.

In managing its capital, the Group's primary objective is to ensure its continued ability to provide a consistent return for its equity shareholders through a combination of capital growth and distributions. In order to achieve this objective, the Group seeks to maintain a gearing ratio that balances risks and returns at an acceptable level and also to maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, either through altering its dividend policy, new share issues, or reduction of debt, the Group considers not only its short-term position but also its long-term operational and strategic objectives.

	2023 $	2022 $

25. FINANCIAL INSTRUMENTS DISCLOSURES (CONTINUED)

It is the Group's policy to maintain its gearing ratio within the range of 0-25%. The Group's gearing ratio at the end of the financial year is shown below:

	2023 $	2022 $
Cash and cash equivalents	100,896	137,173
Net debt	4,347,634	3,372,351
Share capital	40,434,247	26,169,532
Reserves	(1,187,288)	(1,240,717)
Accumulated losses	(44,276,692)	(28,521,899)
Total equity	(5,029,733)	(3,593,084)
Gearing ratio	(0.86)	(0.94)

(b) Financial instrument risk exposure and management

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them.

Further quantitative information in respect of these risks is presented throughout these financial statements.

(c) Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Trade and other revievables;
- Cash at bank;
- Trade and other payables; and
- Borrowings

(d) General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and has the responsibility for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board receives monthly reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

25. FINANCIAL INSTRUMENTS DISCLOSURES (CONTINUED)

(i) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period, excluding the value of any collateral or other security held, is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the statement of financial position.

(ii) Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances (or agreed facilities) to meet expected requirements for a period of at least 45 days.

The Board receives cash flow projections on a monthly basis as well as information regarding cash balances. At the end of the financial year, these projections indicated that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

The table below reflects an undiscounted contractual maturity analysis for financial liabilities and assets. The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows. Trade payables and other financial liabilities mainly originate from the financing of assets used in our ongoing operations such as property, plant, equipment and investments in working capital (e.g. trade receivables). These assets are considered in the Group's overall liquidity risk.

Maturity Analysis - Consolidated – 2023

	Within 1 year	1 to 5 years	Over 5 years	Total contractual cash flow
Financial Liabilities				
Trade Creditors and accruals	1,066,783	-	-	1,066,783
Borrowings	4,347,634	-	-	4,347,634
Lease liability	3,385	9,226		12,611
	5,417,802	9,226	-	5,427,028
Financial assets				
Cash	100,896	-	-	100,896
Receivables - Current	279,633	-	-	279,633
	380,529	-	-	380,529
Net (outflow) / inflow for financial instruments	**(5,037,273)**	**(9,226)**	**-**	**(5,046,499)**

25. FINANCIAL INSTRUMENTS DISCLOSURES (CONTINUED)

Maturity Analysis - Consolidated – 2022

	Within 1 year	1 to 5 years	Over 5 years	Total contractual cash flow
Financial Liabilities				
Trade Creditors and accruals	411,123	-	-	411,123
Borrowings	3,372,351	-	-	3,372,351
Lease liability	6,100	1,774		7,874
	3,789,574	1,774	-	3,791,348
Financial assets				
Cash	137,173	-	-	137,173
Receivables - Current	42,716	-	-	42,716
	179,889	-	-	179,889
Net (outflow) / inflow for financial instruments	**(3,609,685)**	**(1,774)**	**-**	**(3,611,459)**

Financial assets are not past due nor impaired.

(iii) Market risk

Market risk does not arise as the Group does not use interest bearing, tradable and foreign currency financial instruments.

(iv) Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group is also exposed to earnings volatility on floating rate instruments. The Group does not engage in any hedging or derivative transactions to manage interest rate risk.

(v) Foreign exchange risk

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the Australian Dollar and Papua New Guinea Kina functional currencies of the Group.

With instruments being held by overseas operations, fluctuations in the US Dollar may impact on the Group's financial results. The Group does not engage in any hedging or derivative transactions to manage foreign exchange risk.

The Group does not have financial assets and liabilities denominated in currencies other than the functional currencies of the operations.

25. FINANCIAL INSTRUMENTS DISCLOSURES (CONTINUED)

(vi) Sovereign risk

Country or sovereign risk relates to the likelihood that changes in the business environment will occur that reduce the profitability of doing business in a country. These changes can adversely affect operating profits as well as the value of assets. Types of country risk include:

Political changes. Governments may change economic policies. Changes in the ruling party in Australia or Papua New Guinea (brought about by elections, coups or wars) may results in major policy changes. This could result in expropriation of the Group's exploration leases, inability to repatriate future profits, higher taxes, higher tariffs and import costs, elimination of FDI incentives, domestic ownership requirements and local content requirements.

Macroeconomic mismanagement. The Australian and Papua New Guinean governments may pursue unsound monetary and fiscal policies, which may lead to inflation, higher interest rates, recession and hard currency shortage.

Other types of country risk include war and labour unrest, which could result in higher costs and work stoppages.

The Group has maintained a working policy of keeping all relevant Government offices informed and updated on activities to allow clear avenues of communication with Government authorities and an understanding of any policy changes and any effects that they may have on the Group's work.

(e) Fair value

The carrying amounts of cash, trade and other receivables, trade and other payables and borrowings are assumed to approximate their fair values due to either their short-term nature or they are close to current market rates.

26. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of loss from ordinary activities after income tax to net cash outflows from operating activities as follows:

	2023	2022
	$	$
Operating (loss) after income tax	**(15,764,793)**	**(1,620,339)**
Non-Cash items – income and expenditure		
Depreciation and amortisation	8,734	4,475
Share based payment expenses	131,000	367,201
Accrued interest	240,701	486,419
Change in operating assets and liabilities:		
- (Increase)/Decrease in trade and other receivables	(236,917)	(21,964)
- Increase/(Decrease) in accounts payable	726,143	40,438
Net Cash (outflow) from Operating Activities	**(14,895,132)**	**(743,770)**

27. SHARE-BASED PAYMENTS

(a) Shares:

1,310,000 shares were issued as part of a staff allotment to Richard Malcolm, Simon Kaiwi and Joe Holloway at a share price of $0.10 in lieu of board and management fees during the year.

(b) Options:

No options were issued during the year. 50,000 unexercised options expired during the year, which were originally granted to Mr Michael Swift in 2019.

(c) Valuation of Options and Performance Option:

Options are valued using a Black Scholes Option Pricing model. The fair value of Options is recognised as an expense at the grant date.

LARUS ENERGY LIMITED

Directors' Declaration

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001.

- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;

- the attached financial statements and notes thereto give a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the financial year ended on that date; and

- subject to the Group being able to raise sufficient funds via either debt or equity on a timely basis there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

Mr Richard Gazal

Chairman

26 April 2024

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE *CORPORATIONS ACT 2001*

In.Corp Audit & Assurance Pty Ltd
ABN 14 129 769 151

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WEST PERTH WA 6005

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SYDNEY NSW 2001

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To the directors of Larus Energy Limited:

As lead auditor of Larus Energy Limited and its controlled entity for the year ended 31 December 2023, I declare that, to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in relation to Larus Energy Limited and the entity it controlled during the year.

In.Corp Audit & Assurance Pty Ltd

Graham Webb
Director

Perth, 26 April 2024

LARUS ENERGY LIMITED

INDEPENDENT AUDITOR'S REPORT

To the Members of Larus Energy Limited

In.Corp Audit & Assurance Pty Ltd
ABN 14 129 769 151

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6-10 O'Connell Street
SYDNEY NSW 2000

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Opinion

We have audited the financial report of Larus Energy Limited ("the Company") and the entity it controls ("the Group") which comprises the statement of financial position as at 31 December 2023, the statement of profit and loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policy information, and the directors' declaration.

In our opinion, the accompanying financial report of Larus Energy Limited, is in accordance with the *Corporations Act 2001*, including:

a. giving a true and fair view of the company's financial position as at 31 December 2023 and of its financial performance for the year then ended; and

b. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Material Uncertainty Related to Going Concern

We draw attention to Note 1(c) in the financial report, which indicates that the Group incurred a net loss of $15,764,793 during the year ended 31 December 2023 and had a deficiency in net assets of $5,029,733 as at 31 December 2023. As stated in Note 2, these events or conditions along with other matters as set forth in Note 1(c) indicate that a material uncertainty exists that may cast significant doubt on the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2023 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibility of the Directors for the Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Corporations Act 2001* for such internal control as the directors determine is necessary to enable the preparation of the financial report to be free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the director either intends to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

LARUS ENERGY LIMITED

INDEPENDENT AUDITOR'S REPORT (continued)

Opinion on the Remuneration Report

We audited the remuneration report included in the directors' report for the year ended 31 December 2023.

In our opinion the remuneration report of Larus Energy Limited for the year ended 31 December 2023 complies with section 300A of the *Corporations Act 2001*.

Responsibilities of the Directors for the Remuneration Report

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards

In.Corp Audit & Assurance Pty Ltd

Graham Webb
Director

Perth, 26 April 2024

LARUS ENERGY LIMITED
TENEMENT SCHEDULE

for the year ended 31 December 2023

Tenement	Location	Status	Area (sq km) (unless otherwise specified)	Registered Holder / Applicant
PPL 579	Torres Basin, Papua New Guinea	Approved	9,244	Larus Energy (PNG) Ltd (100%)
APPL 580	Torres Basin, Papua New Guinea	Gazetted	842	Larus Energy (PNG) Ltd (100%)