Larus Energy Limited

and its Controlled Entity

ABN 16 140 709 360

Annual Report
2015

LARUS ENERGY LIMITED
Corporate Directory

DIRECTORS

Richard Gazal
Ashley Mangano
Richard Malcolm

COMPANY SECRETARY
Matthew Azar

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

AUDITORS
Rothsay Chartered Accountants
Level 1, Lincoln House,
4 Ventnor Avenue,
West Perth, WA, 6005

BANK
Commonwealth Banking Corporation
Bank South Pacific

LARUS ENERGY LIMITED
Contents

Your Directors present their report on the consolidated entity consisting of Larus Energy Limited and the entity it controlled at the end of and during the period ended 31 December 2015.

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 a director and major shareholder of 3C Consolidated Capital Pty Limited (formerly Cinu Investments Pty Limited), a shareholder of the Company and a lender to the Company under the Convertible Note Deed and Option Deed.

Directorships in the past 3 years: None

Ashley Mangano B.Eng (Hons), B.Comm, MBA (Oxon)
Mr Mangano holds a Masters in Business Administration from Oxford university, specializing in corporate finance, along with undergraduate degrees in engineering (honours) and commerce from the university of Western Australia.

Mr Mangano has significant experience in international oil and gas, working on a diverse range of offshore and onshore projects in North America, West Indies, and Australasia. He spent the early part of his career as a drilling engineer with global oilfield service company Halliburton, before transitioning to a commercial manager role with Baker Hughes. Previous to his appointment with Larus Energy, Mr Mangano held the position of vice president, Trinidad, of publicly listed exploration and production company Range Resources Limited where he not only successfully completed a debt-funded development plan for existing reserves across three licenses, but also significantly increased the company's acreage position in Trinidad by a factor of 18 through execution of a farm-in agreement and a successful bid during the 2013 Trinidad and Tobago onshore bid round.

Directorships in the past 3 years: None

Richard Malcom, Non-Executive Director
Mr Malcolm is a professional geoscientist with 34 years of varied oil and gas experience within seven international markets. He began his career as a Petroleum Geologist with Woodside Petroleum in Perth exploring for oil and gas on the Northwest Shelf. He spent ten years with Ampolex Limited (Perth and Sydney) as a Senior Explorationist and then Exploration Manager in Western Australia and Asset Manager in Northern & Eastern Australia. Following Mobil's takeover of Ampolex, Mr Malcolm was appointed manager of Mobil's assets in Papua New Guinea.

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

Directorships in the past 3 years: currently Non-executive Director of Pura Vida Energy NL.

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

As at the date of this report, the interests of the Directors in the shares and options of the Company were:

	Number of Options	Number of fully paid ordinary shares
Mr Richard Gazal	-	18,320,548
Mr Ashley Mangano	-	150,000
Mr Richard Malcom	1,000,000	-

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 management at the Australian Jockey Club.

Principal Activities

The principal activity of the consolidated entity 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 – PPL326

The oil and gas exploration permit PPL 326 lies to the south east of Port Moresby. It is described as a frontier area as no hydrocarbon exploration wells have been drilled in the region and exploration prior to the PPL326 license being awarded to Larus had been limited to surface geological mapping and a very small amount of reconnaissance seismic survey data acquisition.

PPL 326 consists of 100 sub-blocks and covers an area of approximately 8,376km^2 (3,234 mi^2). PPL 326 lies:

- approximately 47% onshore; and
- approximately 53% in the offshore region of the Coral Sea, with roughly half of that in depths of 200m or less and the balance in depths greater than 200m (maximum depth is 1,900m).

The onshore blocks within PPL 326 cover parts of the Central and Milne Bay Provinces with the Owen Stanley

Ranges lying to the north. The coastline across PPL 326 is frequently rimmed by coral reefs.

In May 2015, the company successful completed the 800 line-kilometer 2D Paluma seismic survey. Completion of this work program fulfilled the final work commitment outlined in the initial 6-year term license. Initial interpretation resulted in the following:

- Increased hydrocarbon resources potential in Sunday and other deep Mesozoic prospects and leads;
- Further evidence to confirm the geological model underpinning the prospectivity of PPL326;
- Confirmation Larus will retain its current prospects and leads inventory subsequent to required 50% relinquishment;

Subsequent to the Paluma seismic survey, the initial 6-year PPL 326 license term was extended for a further 5-year period. The terms of the 5-year license extension include a two (2) exploration well work commitment and further geological studies and expires on 29th January 2021. The extension required a 50% reduction in license area of which unprospective acreage was relinquished, and the remaining 50% containing the proposed Torres Basin 'sweet spot'.

The Company maintained its strong relationships with the PNG government and has kept the Department advised of progress. The Company is committed to meeting its work commitments under its license extension.

Operating results for the year

The net result of operations after applicable income tax expense of the consolidated entity for the year ended 31 December 2015 was a loss of $1,684,975 (31 December 2014 - a loss of $232,894).

Financial position and significant changes in state of affairs

The Company raised $1,082,000.

Cash on hand at 31 December 2015 totalled $6,567 (2014: $149,559).

Business strategies, and prospects for future financial years

The Group plans to continue exploration on its exploration licences in PNG.

The Group is also seeking to expand its portfolio of exploration projects by way of acquisitions and is currently reviewing a number of prospective projects.

Dividends

No dividends were either paid or declared for the period.

The Directors do not recommend the payment of a dividend in respect of the financial year ended 31 December 2015.

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 consolidated entity during the financial period.

Environmental Regulation

Larus Energy Limited, through its subsidiaries, holds exploration tenements in Papua New Guinea that are 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
11 October 2014	11 October 2017	$0.025	1,000,000
			1,000,000

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

	Eligible to attend	Attended
Richard Gazal	3	3
Ashley Mangano	3	3
Richard Malcolm	3	3

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 has, either during or since the end of the financial period, the Company 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 57.

Auditor

Rothsay Chartered Accountants were appointed as auditors on 30 September 2014 and continues in office in accordance with section 327 of the Corporations Act 2001.

Events Subsequent to Reporting Date

Subsequent to reporting date the Company:

- 1,300,000 options lapsed

Other than the matters noted above, 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 consolidated entity'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 (AUDITED)

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

Individual key management personnel disclosures

Details of KMP are set out below:

Key management personnel

(i) Directors

Mr Richard Gazal	Chairman
Mr Ashley Mangano	Managing Director
Mr Richard Malcolm	Non-Executive Director
Dr John Hewson	Managing Director (resigned 3 February 2015)
Mr Ben Callanan	Non-Executive Director (resigned 30 September 2014)
Mr Matthew Azar	Non-Executive Director (resigned 4 August 2014)
Mr Jeremy Bond	Non-Executive Director (resigned 25 July 2014)
Mr Bruce Fulton	Non-Executive Director (resigned 5 February 2014)
Mr Joseph Tavasa	Non-Executive Director (resigned 5 February 2014)
Mr Colin Glazebrook	Non-Executive Director (resigned 3 February 2014)

(ii) Executives

Dr Michael Swift	Exploration Manager
Mr Matthew Azar	Company Secretary
Ms Anne Adaley	Company Secretary (resigned 5 February 2014)

There have not been any changes to KMP after 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) Share-based compensation

REMUNERATION REPORT (AUDITED)

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 at 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.

REMUNERATION REPORT (AUDITED)

Mr Gazal, as Chairman, has elected not to receive ant Directors fees and Mr Azar, as Secretary, has elected not to receive any fees at the current stage of the Company's development.

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 Ashley Mangano – Managing Director

Pursuant to an employment agreement dated 14 May 2014, the following terms were entered into;

1. Base salary of $240,000 including superannuation;
2. Sign on incentive of 150,000 fully paid ordinary shares; and
3. Performance bonus in respect to each period ending 31 December, at the discretion of the Board, paid in cash or equity, up to a maximum of 50% of the total remuneration package.

Dr Michael Swift – Exploration Manager

Pursuant to a services agreement dated 28th May 2014, the following contract was entered into: with effect on and from 12th May 2014, Larus contracted Dr Swift as Exploration Manager of Larus Energy on a total minimum annual service contract of $88,400 and 2,000,000 unlisted options at $0.20 vesting upon various performance milestones.

It was also agreed that an Overriding Royalty (as described in (D) below) be provided.

C) Details of remuneration

Amounts of remuneration

Details of the remuneration of the Directors and the key management personnel (as defined in AASB 124 Related Party Disclosures) of Larus Energy Limited and the Larus Energy Limited Group are set out in the following tables.

The key management personnel of Larus Energy Limited and the Group include the Directors, Secretary and the exploration manager.

REMUNERATION REPORT (AUDITED)

2015	Short-term consulting benefits			Post-employment	Share-base payments		
$	Salary	Directors' Fees	Consulting	benefits	Shares	Options	Total
Directors							
Richard Gazal	-	-	-	-	-	-	-
Ashley Mangano	219,179	-	-	20,822	-	-	240,001
Richard Malcolm	54,795	444	-	5,205	-	-	60,444
Total Directors	**273,974**	**444**	**-**	**26,027**	**-**	**-**	**300,445**
Other key management personnel							
Michael Swift	-	-	159,350	-	-	-	159,350
Matthew Azar	16,438	-	-	1,562	-	-	18,000
Total other KMPs	**16,438**	**-**	**159,350**	**1,562**	**-**	**-**	**177,350**
Totals	**290,412**	**444**	**159,350**	**27,589**	**-**	**-**	**477,795**

2014	Short-term consulting benefits			Post-employment	Share-base payments		
$	Salary	Directors' Fees	Consulting	benefits	Shares	Options	Total
Directors							
Richard Gazal	-	-	-	-	-	-	-
Ashley Mangano	91,325	-	68,001	8,676	3,750(i)	-	171,752
Richard Malcolm	-	11,415	-	1,084	-	-	12,499
John Hewson	-	25,000	-	-	-	-	25,000
Ben Callanan	-	40,000	6,000	-	30,000(ii)	-	76,000
Matthew Azar	-	-	-	-	-	-	-
Jeremy Bond	-	14,130	-	-	-	-	14,130
Bruce Fulton	-	12,500	-	-	-	-	12,500
Joseph Tavasa	-	5,000	-	-	-	-	5,000
Colin Glazebrook	-	10,000	4,000	-	-	-	14,000
Total Directors	**91,325**	**118,046**	**78,001**	**9,760**	**33,750**		**330,882**
Other key management personnel							
Michael Swift	-	-	113,050	-	-	-	113,050
Anne Adaley	-	-	14,500	-	-	-	14,500
Total other KMPs	**-**	**-**	**127,550**	**-**	**-**	**-**	**127,550**
Totals	**91,325**	**118,046**	**205,551**	**9,760**	**33,750**	**-**	**458,432**

(i) Mr Mangano was issued with 150,000 ordinary shares as part of his remuneration.
(ii) Mr Callanan was issued 300,000 ordinary shares as part of his remuneration.

The issue prices of these shares were based on the share price subscription closest to the date of the grant of these shares

REMUNERATION REPORT (AUDITED)

D) Performance based compensation

Dr M Swift

(i) Overriding Royalty

The holder(s) of the interests in PPL 326 shall pay an Overriding Royalty to Mr Swift of 0.5% of the Wellhead Value of all Petroleum produced and sold from tenement PPL326 in PNG.

No royalty was paid to Dr M Swift during the year (2014: nil).

Options

No options over ordinary shares in the Company were provided as remuneration to a Director of the Group or each of the 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 2015 (2014 – 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.

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 2015 and 2014 in the share capital of the Company as at the date of this report is as follows:

Shareholding

2015	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	14,320,548	-	4,000,000	-	18,320,548
Ashley Mangano	150,000	-	-	-	150,000
Richard Malcolm	-	-	-	-	-
Other key management personnel					
Michael Swift	2,000,000	-	-	-	2,000,000
Anne Adaley	-	-	-	-	-
Matthew Azar	-	-	-	-	-

(i) Held in Battery Park Capital Pty Ltd - 1/3 beneficial ownership

REMUNERATION REPORT (AUDITED)

2014	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	4,000,000	-	10,320,548	-	14,320,548
Richard Malcolm	-	-	-	-	-
Ashley Mangano	-	150,000	-	-	150,000
John Hewson	2,000,000	-	-	-	2,000,000
Ben Callanan	7,590,477(i)	300,000	-	-	7,890,477
Jeremy Bond	250,000	-	-	-	250,000
Colin Glazebrook	250,000	-	-	-	250,000
Joseph Tavasa	300,000	-	-	-	300,000
Bruce Fulton	1,000,000	-	-	-	1,000,000
Other key management personnel					
Michael Swift	1,700,000	-	500,000	(200,000)	2,000,000

(ii) Held in Battery Park Capital Pty Ltd - 1/3 beneficial ownership

Options over ordinary shares

2015	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	-	-	-	-	-
Ashley Mangano	-	-	-	-	-
Richard Malcolm	1,000,000	-	-	-	1,000,000
Other key management personnel					
Michael Swift	-	-	-	-	-
Matthew Azar	-	-	-	-	-

2014	Balance at the start of the year /appointment	Granted	Exercised	Expired/ forfeited / other	Balance at the end of the year/date of resignation
Directors					
Ben Callanan	650,000	-	-	-	650,000
Other key management personnel					
Michael Swift	2,000,000	-	-	(2,000,000)	-

This concludes the remuneration report, which has been audited.

REMUNERATION REPORT (AUDITED)

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 Perth, 21 April 2016

LARUS ENERGY LIMITED

Statement of Profit or loss and other Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	Consolidated 2015 $	Consolidated 2014 $
Revenue	5	-	**869,137**
Expenses			
Interest Expense		(119,983)	(129,185)
Administration costs		(274,809)	(44,267)
Corporate costs		(167,287)	(259,916)
Depreciation	6	(5,934)	(56,357)
Employment costs	6	(477,795)	(458,432)
Foreign currency gain(loss)		(589,016)	-
Occupancy costs	6	(50,151)	(25,650)
Exploration expenditure		-	(128,224)
Loss before income tax expense		**(1,684,975)**	**(232,894)**
Income tax (expense)/benefit	11	-	-
Net loss from ordinary activities after income tax expense	24	**(1,684,975)**	**(232,894)**
Other comprehensive income			
Exchange differences on translating foreign controlled entities	22	(258,567)	644,846
Other comprehensive income for the year		(258,567)	644,846
Total comprehensive loss		**(1,943,542)**	**411,952**
Basic and diluted loss per share (cents)	10	(0.39)	0.17

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

at 31 December 2015

	Note	2015	2014
		$	**$**
Cash and cash equivalents	12	6,567	149,559
Trade and other receivables	13, 14	34,320	26,490
TOTAL CURRENT ASSETS		**40,887**	**176,049**
NON-CURRENT ASSETS			
Trade and other receivables	15	44,470	46,501
Exploration and evaluation expenditure	16	9,571,664	9,227,099
Plant and equipment	17	190,645	153,410
TOTAL NON-CURRENT ASSETS		**9,806,779**	**9,427,010**
TOTAL ASSETS		**9,847,666**	**9,603,059**
CURRENT LIABILITIES			
Trade and other payables	18	1,324,642	486,412
TOTAL CURRENT LIABILITIES		**1,324,642**	**486,412**
NON-CURRENT LIABILITIES			
Borrowings	19	1,390,345	1,122,426
TOTAL NON-CURRENT		**1,390,345**	**1,122,426**
TOTAL LIABILITIES		**2,714,987**	**1,608,838**
NET ASSETS		**7,132,679**	**7,994,221**
SHAREHOLDERS' EQUITY			
Issued capital	20	16,930,195	15,848,195
Foreign currency translation reserve	22	(68,920)	189,647
Accumulated losses	24	(9,728,596)	(8,043,621)
TOTAL EQUITY		**7,132,679**	**7,994,221**

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

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2015

	Issued Capital $	Accumulated Losses $	Foreign Currency Translation Reserve $	Share Based Payments Reserve $	Total $
At 31 December 2013	**14,970,267**	**(7,312,349)**	**(455,199)**	**622,889**	**(7,825,608)**
Transactions with owners in their capacity as owners					
Shares issued during the year	877,928	-	-	-	877,928
Share based payments	-	-	-	(622,889)	(622,889)
	15,848,195	(7,312,349)	(455,199)	-	8,080,647
Loss For the Year	-	(232,894)	-	-	(232,894)
Exchange differences on translating foreign controlled entities	-	-	644,846	-	644,846
Losses forfeited on deregistration of Larus Energy (Gippsland) Pty Ltd and Newport Energy Pty Ltd	-	(498,378)	-	-	(498,378)
Comprehensive income for the year	-	(731,272)	644,846	-	(86,426)
As 31 December 2014	**15,848,195**	**(8,043,621)**	**189,647**	**-**	**7,994,221**
At 31 December 2014	**15,848,195**	**(8,043,621)**	**189,647**	**-**	**7,994,221**
Transactions with owners in their capacity as owners					
Shares issued during the year	1,082,000	-	-	-	1,082,000
	16,930,195	(9,728,596)	(68,920)	-	7,132,679
Loss For the Year	-	(1,684,975	-	-	(1,684,975)
Exchange differences on translating foreign controlled entities	-	-	(258,567)	-	(258,567)
Comprehensive income for the year	-	(1,684,975)	(258,567)	-	(86,426)
At 31 December 2015	**16,930,195**	**(9,728,596)**	**(68,920)**	**-**	**7,132,679**

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 2015

	Note	Consolidated 2015 $	Consolidated 2014 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payment to suppliers and employees		(864,699)	(1,181,037)
Interest received and other income		-	1,213
NET CASH OUTFLOWS FROM OPERATING ACTIVITIES	32(b)	**(864,699)**	**(1,182,250)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of plant and equipment		(43,169)	-
Expenditure on mining interests (exploration)		(585,043)	(368,262)
NET CASH OUTFLOWS FROM INVESTING ACTIVITIES		**(628,212)**	**(368,262)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares, net of share issue cost		1,082,000	877,928
Cash received from Convertible Note		-	750,000
Proceeds from loans issued		267,919	-
NET CASH INFLOWS FROM FINANCING ACTIVITIES		1,349,919	**1,627,928**
NET INCREASE (DECREASE) IN CASH HELD		(142,992)	**77,416**
Cash and cash equivalents at the beginning of the financial year		149,559	**72,143**
Cash and cash equivalents at the end of the financial year	12	6,567	**149,559**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal 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 21st April 2016. 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) Critical accounting estimates

The preparation of financial statements in conformity with Australian International Financial Reporting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

(c) Going Concern

The Group incurred a net loss after tax for the year ended 31 December 2015 of $1,684,975 (2014: $232,894) and a net cash outflow of from operations of $ 864,699 (2014: $1,182,250). The Group had cash on hand of $6,567 (2014: $149,559) and its current liabilities exceed the current assets by $1,283,755 (2014: $ 310,363. The Group will need to successfully raise sufficient funds over the next 12 months in order to continue as a going concern. These conditions give rise to a material uncertainty which may cast significant doubt over the Group’s ability to continue as a going concern.

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:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Going Concern (continued)

- The Group will continue to raise additional funds via a proposed capital raisings on a timely manner in order to fund the activities of the Group;
- The Group continues to have access to the option deed via the convertible note facility with 3CCC Investments (formerly Cinu Investments), of which Larus can subscribe for up to a further $850,000 in secured convertible notes; and
- The Group has commenced discussions with several potential farm out partners.

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.

(d) Significant accounting policies

Accounting policies are selected and applied in a manner which ensures that the resultant financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions and other events is reported.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(e) 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.

(f) Borrowing costs

Borrowing costs are expensed as incurred.

(g) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(i) Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy any vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

Provision for long service leave is provided once an employee achieves five years of service.

(j) Equity-settled compensation

The Group operates equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black-Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

(k) 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.

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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Exploration and evaluation expenditure (continued)

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.

(l) Financial assets

The Group's financial assets fall into the categories discussed below, with the allocation depending to an extent on the purpose for which the asset was acquired. The Group does not use derivative financial instruments in economic hedges of currency or interest rate risk. The Group has not classified any of its financial assets as held to maturity.

Unless otherwise indicated, the carrying amounts of the Group's financial assets are a reasonable approximation of their fair values.

Other receivables
These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the sale of assets and GST receivable. They are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue and subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

The effect of discounting on these financial instruments is not considered to be material. Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the income statement. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Available for sale
Non-derivative financial assets not included in the above categories are classified as available for sale. They are carried at fair value with changes in fair value recognised directly in the available for sale reserve.

Where there is a significant or prolonged decline in the fair value of an available for sale financial asset (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously charged to equity, is recognised in the income statement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Financial assets (continued)

Purchases and sales of available for sale financial assets are recognised on settlement date with any change in fair value between trade date and settlement date being recognised in the available for sale reserve. On sale, the amount held in the available for sale reserve associated with that asset is removed from equity and recognised in the income statement. Interest on corporate bonds classified as available for sale is calculated using the effective interest method and is recognised in finance income in the income statement.

(m) Financial Instruments

Recognition and initial measurement
Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified at fair value through profit or loss, in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement
Finance instruments are subsequently measured at fair value, amortised cost using the effective interest rate method or cost. *Fair value* represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

a. the amount at which the financial asset or financial liability is measured at initial recognition;
b. less principal repayments;
c. plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and
d. less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Financial instruments (continued)

Financial assets at fair value through profit or loss
Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period. (All other loans and receivables are classified as non-current assets.)

Financial liabilities
Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Impairment
At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether any impairment has arisen. Impairment losses are recognised in the statement of profit or loss and other comprehensive income.

De-recognition
Financial assets are de-recognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are de-recognised where the related obligations are discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(n) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Financial liabilities

The Group classifies its financial liabilities as measured at amortised cost. The Group does not use derivative financial instruments in economic hedges of currency or interest rate risk.

Unless otherwise indicated, the carrying amounts of the Group's financial liabilities are a reasonable approximation of their fair values.

These financial liabilities include trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

(p) 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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority it is recognised as part of the cost of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authorities is included as part of other receivables or other payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authorities is classified as operating cash flows.

(r) Impairment of assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the
asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of profit or loss and other comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

(s) Income tax

The income tax expense (revenue) for the period comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting period. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

(s) Income tax (continued)

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at the end of the reporting period. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(t) Loss per share

Basic loss per share
Basic earnings (loss) per share is calculated by dividing the loss attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the period.

Diluted loss per share
Diluted earnings (loss) per share adjusts the figures used in the determination of basic loss per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Plant and equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

Depreciation
The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The following estimated useful lives are used in the calculation of depreciation:

Plant and equipment	5 – 10 years
Computer software and software	2 – 3 years
Motor vehicles	5 – 7 years
Leasehold improvements	5 – 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the profit or loss. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Larus Energy Limited ('Company' or 'Parent Entity') and the results of its subsidiary. Larus Energy Limited and its subsidiary together are referred to in these financial statements as the 'consolidated entity' or ‘the Group’.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases. A list of controlled entities is contained in Note 29 to the financial statements.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are shown separately within the equity section of the consolidated statement of financial position and statement of profit or loss and other comprehensive income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Business Combinations
Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (i.e. parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated accounts, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition may result in the recognition of goodwill or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interest to be recognised in the acquiree where less than 100% ownership interest is held in the acquiree.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Revenue recognition

Interest revenue is recognised using the effective interest rate method, which for floating rate financial assets is the rate inherent in the instrument.

All revenue is stated net of the amount of goods and services tax (GST).

(x) Share capital

Financial instruments issued by the Group are treated as equity only to the extent that they do not meet the definition of a financial liability. The Group's ordinary shares are classified as equity instruments.

For the purposes of these disclosures, the Group considers its capital to comprise its ordinary share capital, and accumulated retained earnings. Neither the available for sale reserve nor the translation reserve is considered as capital. There have been no changes in what the Group considers to be capital since the previous period.

The Group is not subject to any externally imposed capital requirements.

(y) Trade and other payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Group during the reporting period which remains unpaid. The balance is recognised as a current liability with the amount normally being paid within 30 days of recognition of the liability.

(z) Trade and other receivables

Trade and other receivables are recorded at amounts due less any allowance for doubtful debts.

(aa) Application of new and revised Accounting Standards

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2015.

- AASB 2012-3: *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities;*
- AASB 2013-3: *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets;*
- AASB 2013-4: *Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting;*
- AASB 2013-5: *Amendments to Australian Accounting Standards – Investment Entities;*
- AASB 1031*: Materiality; and*
- AASB 2013-9: *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments.*

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) Application of new and revised Accounting Standards (continued)

Accounting Standard and Interpretation

AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'

AASB 2012-3 adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.

AASB 2012-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets'

AASB 2013-3 amends the disclosure requirements in AASB 136 Impairment of Assets. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal.

AASB 2013-4 'Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting [AASB 139]

AASB 2013-4 amends AASB 139 to permit the continuation of hedge accounting in specified circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations.

AASB 2013-5 'Amendments to Australian Accounting Standards – Investment Entities [AASB 1, AASB 3, AASB 7, AASB 10, AASB 12, AASB 107, AASB 112, AASB 124, AASB 127, AASB 132, AASB 134 & AASB 139]'

These amendments define an investment entity and require that, with limited exceptions, an investment entity does not consolidate its subsidiaries or apply AASB 3 Business Combinations when it obtains control of another entity.

These amendments require an investment entity to measure unconsolidated subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

These amendments also introduce new disclosure requirements for investment entities to AASB 12 and AASB 127.

AASB 1031 'Materiality'

The revised AASB 1031 is an interim standard that cross-references to other Standards and the Framework (issued December 2013) that contain guidance on materiality.

AASB 1031 will be withdrawn when references to AASB 1031 in all Standards and Interpretations have been removed.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) Application of new and revised Accounting Standards (continued)

Accounting Standard and Interpretation (continued)

AASB 2014-1 Part C issued in June 2014 makes amendments to eight Australian Accounting Standards to delete their references to AASB 1031.

AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments'

The Standard contains three main parts and makes amendments to a number Standards and Interpretations:

- Part A of AASB 2013-9 makes consequential amendments arising from the issuance of AASB CF 2013-1;
- Part B makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 and also makes minor editorial amendments to various other standards; and
- Part C makes amendments to a number of Australian Accounting Standards, including incorporating Chapter 6 Hedge Accounting into AASB 9 Financial Instruments.

AASB 2014-1 'Part A –Annual Improvements 2010–2012 Cycle'

This standard sets out amendments to Australian Accounting Standards arising from the issuance by the International Accounting Standards Board (IASB) of International Financial Reporting Standards (IFRSs) Annual Improvements to IFRSs 2010–2012 Cycle and Annual Improvements to IFRSs 2011–2013 Cycle.

Annual Improvements to IFRSs 2010–2012 Cycle addresses the following items:

- AASB 2 - Clarifies the definition of 'vesting conditions' and 'market condition' and introduces the definition of 'performance condition' and 'service condition'.
- AASB 3 - Clarifies the classification requirements for contingent consideration in a business combination by removing all references to AASB 137.
- AASB 8 - Requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. An entity is also required to provide a reconciliation of total reportable segments' asset to the entity's total assets.
- AASB 116 & AASB 138 - Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts.
- AASB 124 - Defines a management entity providing KMP services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 of AASB 124 for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be separately disclosed.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) Application of new and revised Accounting Standards (continued)

Accounting Standard and Interpretation (continued)

AASB 2014-1' Part A –Annual Improvements 2011–2013 Cycle'

Annual Improvements to IFRSs 2011–2013 Cycle addresses the following items:

- AASB13 - Clarifies that the portfolio exception in paragraph 52 of AASB 13 applies to all contracts within the scope of AASB 139 or AASB 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in AASB 132.
- AASB 140 - Clarifies that judgment is needed to determine whether an acquisition of investment property is solely the acquisition of an investment property or whether it is the acquisition of a group of assets or a business combination in the scope of AASB 3 that includes an investment property. That judgment is based on guidance in AASB 3.

AASB 2014-2 'Amendments to AASB 1053 – Transition to and between Tiers, and related Tier 2 Disclosure Requirements [AASB 1053]'

The Standard makes amendments to AASB 1053 Application of Tiers of Australian Accounting Standards to:

- clarify that AASB 1053 relates only to general purpose financial statements;
- make AASB 1053 consistent with the availability of the AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors option in AASB 1 First-time Adoption of Australian Accounting Standards;
- clarify certain circumstances in which an entity applying Tier 2 reporting requirements can apply the AASB 108 option in AASB 1; permit an entity applying Tier 2 reporting requirements for the first time to do so directly using the requirements in AASB 108 (rather that applying AASB 1) when, and only when, the entity had not applied, or only selectively applied, applicable recognition and measurement requirements in its most recent previous annual special purpose financial statements; and
- specify certain disclosure requirements when an entity resumes the application of Tier 2 reporting requirements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) Application of new and revised Accounting Standards (continued)

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations issued by the AASB which are not yet mandatorily applicable to the Group have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

- *AASB 9 Financial Instruments* and associated Amending Standards (applicable for annual reporting period commencing 1 January 2018).

The Standard will be applicable retrospectively (subject to the comment on hedge accounting below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

Key changes made to this standard that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income.
Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments, including hedging activity, it is impractical at this stage to provide a reasonable estimate of such impact.

- *Other standards not yet applicable*

These standards are not expected to have a material impact on the entity in the current or future reporting periods.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) Application of new and revised Accounting Standards (continued)

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 14 'Regulatory deferral accounts' (2013)	1 January 2016	31 December 2016
AASB 2014-3 'Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11]'	1 January 2016	31 December 2016
AASB 2014-4 'Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)'	1 January 2016	31 December 2016
AASB 2014-6 'Amendments to Australian Accounting Standards – Agriculture: Bearer Plants [AASB 101, AASB 116, AASB 117, AASB 123, AASB 136, AASB 140 & AASB 141]'	1 January 2016	31 December 2016
AASB 2014-1 'Part B Amendments to AASB 119 Amendments to Australian Accounting Standards - Part B Defined Benefit Plans: Employee Contributions (Amendments to AASB 119)'	1 January 2016	31 December 2016
AASB 15 'Revenue from Contracts with Customers'	1 January 2017	31 December 2017
AASB 1056 'Superannuation Entities'	1 July 2016	31 December 2017
AASB 2014-9 'Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements'	1 January 2016	31 December 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) Application of new and revised Accounting Standards (continued)

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012– 2014 Cycle'	1 January 2016	31 December 2016
AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'	1 January 2016	31 December 2016
AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'	1 January 2015	31 December 2016
AASB 2015-4 'Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent'	1 January 2015	31 December 2016
AASB 2015-5 'Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception'	1 January 2015	31 December 2016

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 consolidated entity’s functional currency.

(ii) Credit risk

There is negligible credit risk on financial assets of the consolidated entity 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 31.

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.

Income taxes

The Group is subject to income taxes in Australia and Papua New Guinea. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due.

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made. The company has a nil income tax expense at the end of the reporting period.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Exploration and evaluation expenditure

The Group capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the Directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded.

Share based payments

The consolidated entity 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 adjustment for non- transferability of the options.

The accounting estimates and assumptions relating to equity-settled share-based payments in respect of acquisitions would have an impact on the carrying amounts of assets and liabilities within the next annual reporting period but no impact on profit or loss and equity while those relating to payments for services rendered and transactions with employees would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Further details of all relevant terms and conditions and assumptions are contained in note 33.

4. PARENT COMPANY INFORMATION

	2015 $	2014 $
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Current assets	8,646	173,735
Non-current assets	9,781,971	9,042,842
TOTAL ASSETS	9,790,617	9,216,577
LIABILITIES		
Current liabilities	1,339,257	471,764
Non-current liabilities	1,334,481	1,122,426
TOTAL LIABILITIES	1,594,190	1,594,190
EQUITY		
Issued capital	16,930,195	15,848,219
Accumulated losses	(9,802,316)	(8,225,832)
Share based payments reserve		622,889
TOTAL EQUITY	7,127,879	7,622,387
STATEMENT OF COMPREHENSIVE INCOME		
Net profit (loss) for the year, net of tax	(1,576,484)	8,757
Other comprehensive income, net of tax		-
TOTAL COMPREHENSIVE INCOME	(1,576,484)	8,757

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 2015, Larus Energy Limited had no contingent liabilities (31 December 2014 – Nil).

Contractual commitments

At 31 December 2015, Larus Energy Limited had not entered into any contractual commitments for the acquisition of property, plant and equipment. (31 December 2014 – Nil).

	Consolidated 2015 $	Consolidated 2014 $
5. REVENUE		
Interest received and sundry income	-	1,213
Benefit received following re-negotiation of long term	-	245,035
Share based payments reversal upon expiry of options	-	622,889
	-	869,137

6. OPERATING LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE

The operating loss from ordinary activities before income tax expense has been determined after charging the following expenses:

	Consolidated 2015 $	Consolidated 2014 $
Depreciation and amortization:		
Depreciation of plant and equipment	5,161	54,488
Amortisation of leasehold improvements	773	1,869
	5,934	56,357
Employment costs:		
Executive directors salary	290,412	184,326
Non-executive directors fees	444	93,046
Consulting fees paid to Director and Key Management Personnel	159,350	137,550
Shares issued on appointment		33,750
Superannuation	27,589	9,760
	477,795	458,432
Occupancy costs:		
Office rent	47,339	24,511
Other office costs	2,812	1,139
	50,151	25,650

7. KEY MANAGEMENT PERSONNEL COMPENSATION

	Consolidated 2015 $	Consolidated 2014 $
Short-term employee benefits	477,795	458,432
	477,795	458,432

No long-term employee benefits were paid.

LARUS ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2015

8. REMUNERATION OF AUDITORS

	Consolidated 2015 $	Consolidated 2014 $
Rothsay Resources Chartered Accountants:		
Audit of the Company's Australian consolidated accounts		
- For the year ended 31 December 2015	11,000	-
- For the year ended 31 December 2014	-	10,000
BDO East Coast Partnership:		
Audit of the Company's Australian consolidated accounts		
- For the year ended 31 December 2014	-	42,000
PKF Guinn:		
Statutory audit of the Company's PNG subsidiary company	-	12,889
Total remuneration for assurance services accounts	-	64,889
BDO East Coast Partnership:		
Taxation compliance matters accounts	-	29,730
Total remuneration for non-assurance services	-	29,730
Total auditors' remuneration	11,000	94,619

9. 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.

10. BASIC AND DILUTED LOSS PER SHARE

	2015	2014
Net loss from ordinary activities after income tax expense	($1,684,975)	$(232,894)
Weighted average number of shares used in basic and diluted loss	217,479,888	180,586,340
Basic and diluted loss per share (cents per share)	(0.39)	0.17
Anti-dilutive options on issue not used in dilutive EPS calculation	1,300,000	1,488,400

11. TAXATION

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

	Consolidated 2015 $	Consolidated 2014 $
Net loss before tax from ordinary activities	(1,684,975)	(232,894)
Income tax expense (benefit) calculated at 30% of operating loss	(505,493)	(69,868)
Share-based payments not deductible	-	10,125
Capital raising costs not deductible	-	29,913
Foreign subsidiary expenses not deductible	-	16,201
Share-based payment reserve reversal not accessible	-	(186,897)
Miscellaneous non-deductible amounts		-
Deferred tax amounts not recognized	2,190,468	200,495
Income tax expense (benefit)	-	-
Franking account balance	-	-
Deferred tax balances not recognized, calculated at 30% not brought to account as assets:		
Employee benefits and accruals	-	24,352
Revenue tax losses available for offset against future tax income	1,973,290	1,837,951
Deferred tax assets not recognized	(1,973,290)	(1,862,303)

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

(i) the company and the consolidated entity 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 consolidated entity 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 consolidated entity's ability in realising the benefit from the deductions.

12. CASH AND CASH EQUIVALENTS

Cash at bank and on hand	6,567	149,550
	6,567	149,550

	Consolidated 2015 $	Consolidated 2014 $
13. TRADE AND OTHER RECEIVABLES		
GST debtor	29,441	11,079
	29,441	11,079
14. OTHER CURRENT ASSETS		
Prepayments	4,879	15,411
	4,879	15,411
15. TRADE AND OTHER RECEIVABLES – NON-CURRENT		
Security bonds and environmental deposits	44,470	46,501
	44,470	46,501
16. EXPLORATION AND EVALUATION EXPENDITURE		
Exploration costs brought forward	9,227,099	8,852,897
Expenditure incurred during the year	585,043	285,042
Currency exchange fluctuation	(240,478)	89,160
Exploration expenditure written off	-	-
Exploration costs carried forward	9,571,664	9,227,099

The above amounts represent costs incurred on exploration areas of interest which have been carried forward as an asset in accordance with the accounting policy set out in note 1. The ultimate recoupment of exploration and evaluation expenditure carried forward in respect of an area of interest is dependent upon the discovery of commercially viable reserves and the successful development and exploitation of the respective areas or alternatively sale of the underlying areas of interest for at least their carrying value. Amortisation, in respect of the relevant area of interest, is not charged until a hydrocarbon production operation has commenced.

As at balance date, the directors have considered the current value of exploration assets to be in excess of the stated carrying value of the exploration assets, based on recent third party valuation and independent geological reports.

	Consolidated 2015 $	Consolidated 2014 $
17. PLANT AND EQUIPMENT		
Computer Hardware and Software		
Cost	42,116	42,008
Accumulated depreciation	(37,234)	(35,535)
	4,882	6,473
Plant and equipment		
Cost	52,573	43,050
Accumulated depreciation	(19,662)	(13,290)
	32,911	29,290
Motor vehicles		
Cost	235,188	195,129
Accumulated depreciation	(94,673)	(91,562)
	140,515	103,562
Leasehold improvements		
Cost	18,691	18,691
Accumulated depreciation	(6,354)	(5,581)
	12,337	13,110
Total Plant and Equipment	190,645	153,410

18. TRADE AND OTHER PAYABLES

	Consolidated 2015 $	Consolidated 2014 $
Trade creditors	1,032,761	139,795
Sundry creditors and accruals	59,249	248,378
Short term – Director loan	216,427	55,864
Payroll Liabilities	16,205	42,375
	1,324,642	486,412

	Consolidated 2015 $	Consolidated 2014 $
19. BORROWINGS – NON - CURRENT		
Convertible Note	1,390,345	1,122,426
	1,390,345	1,122,426

The Company entered into a Secured Convertible Note Deed with Cinu Investments Pty Ltd (a company associated with Director, Mr Richard Gazal) on the 18th September 2013 for the amount up to $1,000,000 with the option of a further $1,000,000 at an interest rate of 8% p.a. payable in arrears. The convertible note is unsecured.

Refer note 31 for detailed information on financial instruments.

20. ISSUED CAPITAL

Ordinary shares - fully paid 228,210,956 (2014 - 206,570,956)	19,302,415	18,220,439
Less share issue costs	(2,372,220)	(2,372,244)
	16,930,195	15,848,195

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

Ordinary shares participate in dividends and the proceeds on 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 2013	174,251,217	14,970,267
Shares issued on appointment of directors	450,000	33,750
Shares issued pursuant to settlement of debts (see note 29)	995,000	99,550
Shares issued pursuant to the Information Memorandum	20,228,691	505,717
Shares issued on conversion of short term loan	10,320,548	206,411
Balance as at 31 December 2014	206,570,956	15,848,195
Shares issued pursuant to the Information Memorandum	21,640,000	1,082,000
Balance as at 31 December 2015	228,210,956	16,930,195

21. OPTIONS

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

2015

Expiry Date	Exercise Price	Balance at 31 December 2014	Granted	Exercised	Lapsed	Balance at 31 December 2015
30 June 2015	0.25	188,400	-	-	(188,400)	-
12 January 2016	0.26	400,000	-	-	-	400,000
10 April 2016	0.26	600,000	-	-	-	600,000
23 April 2016	0.26	300,000	-	-	-	300,000
		1,488,400	-	**-**	(188,400)	**1,300,000**

2014

Expiry Date	Exercise Price	Balance at 31 December 2013	Granted	Exercised	Lapsed	Balance at 31 December 2014
28 February 2014	0.40	3,000,000	-	-	(3,000,000)	-
30 June 2014	0.15	4,000,000	-	-	(4,000,000)	-
30 June 2015	0.25	188,400	-	-	-	188,400
12 January 2016	0.26	400,000	-	-	-	400,000
10 April 2016	0.26	600,000	-	-	-	600,000
23 April 2016	0.26	300,000	-	-	-	300,000
		8,488,400	-	**-**	(7,000,000)	**1,488,400**

	Consolidated 2015 $	Consolidated 2014 $
22. FOREIGN CURRENCY TRANSLATION RESERVE		
Balance at the beginning of the financial year	189,647	(455,199)
Exchange difference arising on translation of foreign subsidiaries	(258,567)	644,846
Balance at the end of the financial year	(68,920)	189,647

Nature and purpose of reserve
The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.

	Consolidated 2015 $	Consolidated 2014 $
23. SHARE BASED PAYMENTS RESERVE		
Balance at the beginning of the financial year	-	622,889
Reversal of reserve due to expiry of options	-	(622,889)
Balance at the end of the financial year	-	-

Nature and purpose of reserve
The share based payments reserve records the value of options issued to employees and Directors which have been taken to expenses and options issued as consideration for services rendered by and goods received from others.

24. ACCUMULATED LOSSES

Balance at the beginning of the financial year	(8,043,621)	(7,312,349)
Net Profit (loss) for the year	(1,684,975)	411,952
Losses forfeited on deregistration of Larus Energy (Gippsland) Pty Ltd and Newport Energy Pty Ltd	-	(1,143,224)
Balance at the end of the financial year	(9,728,596)	(8,043,621)

25. CONTINGENT LIABILITIES

There are no contingent liabilities.

26. COMMITMENTS

Exploration Tenement Expenditure Commitments
In order to maintain the consolidated entity'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 326 (PNG)

PPL 326 was granted on 27 August 2009 for a period of 6 years covering 200 graticular blocks, and has been extended for a further 6 years to 29 April 2021.

The annual license fee required is k500 per block equaling k100,000 (approximately AUD 48,411) per annum.

Work commitments under the license are looked at in periods of 2 years. The initial two 2 year period expired on 26 August 2013 and the Company exceeded its work commitments. The work commitments for the current 2 year period, ending 26th August 2015, is comprised of the following:

- Acquire of 400 km of seismic data (onshore or offshore);
- Conduct complete license review to establish a summary of the license prospectivity; and
- Decide on future of license.

27. ROYALTIES

M Swift – Overriding Royalty
The holders of the interests in PPL 326 are obligated to pay an Overriding Royalty to Mr Swift of 0.5% of the Wellhead Value of all Petroleum produced and sold from tenement PPL326 in PNG. No royalties has been paid to date.

28. PARTICULARS RELATING TO CONTROLLED ENTITIES

Company	Country of Incorporation and Operation	Percentage of Equity Held 2015	Percentage of Equity Held 2014
Larus Energy (PNG) Ltd	Papua New Guinea	100%	100
Newport Energy Pty Ltd	Australia	-	Deregistered
Larus Energy (Gippsland) Pty Ltd	Australia	-	Deregistered

29. RELATED PARTY DISCLOSURES

(a) Associates of directors

Director	Associated company
Richard Gazal	Cinu Investments Pty Ltd
Colin Glazebrook	Glazco Consultants Pty Ltd
John Hewson	The John Hewson Group Pty Ltd
Bruce Fulton	MapleFern Pty Ltd

(b) Transactions with associates of directors

i. The Company entered into a Secured Convertible Note Deed with Cinu Investments Pty Ltd (a company associated with Director, Mr Richard Gazal) on the 18th September 2013 for the amount up to $1,000,000 with the option of a further $1,000,000. Interest accrued, but not yet paid, for the year ended 31 December 2015 outstanding on this amount is $390,345 (2014: $122,426). The convertible note is unsecured.

ii. The Company entered into a short-term loan agreement with Cinu Investments Pty Ltd (a company associated with Director, Mr Richard Gazal) for the amount up to $200,000 at an interest rate of 8% p.a. payable (16% when in default after 30 days) in arrears. Interest of $6,411 was accrued on this loan and the entire balance outstanding was converted to equity at $0.02 cents per share (refer note 20). The Company has incurred a liability for operating expenses, including National and International travel and accommodation, for exploration and senior management during the reporting year. The amounts have been paid by Mr Richard Gazal, a Director of the Company and the amount owing as at the 31 December 2015 is $216,427 (2014: $55,864).

No interest has been accounted for this outstanding amount.

29. RELATED PARTY DISCLOSURES (CONTINUED)

iii. The Company had a consultancy agreement with Glazco Consultants Pty Ltd (a company associated with Former Director, Mr Colin Glazebrook) for the provision of Geological services at commercial rates. For the year ended 31 December 2015, Glazco Consultants Pty Ltd was paid $nil (2014: $4,000).

30. EVENTS OCCURRING AFTER THE END OF THE FINANCIAL YEAR

Subsequent to reporting date the Company:

- 1,300,000 options lapsed

Other than the matters noted above, 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.

31. 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.

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:

31. FINANCIAL INSTRUMENTS DISCLOSURES (CONTINUED)

	Consolidated 2015 $	Consolidated 2014 $
Cash and cash equivalents	6,567	149,559
Net debt	2,708,420	1,459,279
Share capital	16,930,195	15,848,195
Reserves	(68,920)	189,647
Accumulated losses	(9,728,596)	(8,043,621)
Total capital	7,132,679	7,994,221
Gearing ratio	0.38	**0.2:1**

(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:

- other receivables;
- cash at bank;
- trade and other payables.

31. FINANCIAL INSTRUMENTS DISCLOSURES (CONTINUED)

(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:

(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.

31. FINANCIAL INSTRUMENTS DISCLOSURES (CONTINUED)

(d) General objectives, policies and processes (continued)

Maturity Analysis - Consolidated – 2015

	Within 1 year	1 to 5 years	Over 5 years	Total contractual cash flow
Financial Liabilities				
Trade Creditors and accruals	1,092,010	-	-	1,092,010
	1,092,010	**-**	**-**	**1,092,010**
Financial assets				
Cash	6,567	-	-	6,567
Receivables - Current	34,320	-	-	34,320
Receivables – Non Current	44,470	-	-	44,470
	85,357	-	-	85,357
Net (outflow) / inflow for financial instruments	(1,006,653)	-	-	(1,006,653)

Maturity Analysis - Consolidated – 2014

	Within 1 year	1 to 5 years	Over 5 years	Total contractual cash flow
Financial Liabilities				
Trade Creditors and accruals	(486,412)	-	-	(486,412)
	(486,412)	-	-	(486,412)
Financial assets				
Cash	149,559	-	-	149,559
Receivables - Current	26,490	-	-	26,490
Receivables – Non Current	-	-	-	-
	176,049	-	-	176,049
Net (outflow) / inflow for financial instruments	(310,363)	-	-	(310,363)

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.

31. FINANCIAL INSTRUMENTS DISCLOSURES (CONTINUED)

(d) General objectives, policies and processes (continued)

(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 AUD functional currency of the Group.

With instruments being held by overseas operations, fluctuations in the US Dollar and Papua New Guinea Kina 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 following table shows the foreign currency risk on the financial assets and liabilities of the Group's operations denominated in currencies other than the functional currency of the operations.

	Consolidated 2015 kina	Consolidated 2014 kina
Cash at bank	-	4,977
Environmental Bonds	-	-
Net Exposure	-	4,977

The following sensitivity analysis is based on the foreign currency risk exposures in existence at the year end. The below analysis assumes all other variables remain constant.

Sensitivity Analysis 2015

	Carrying Amount kina	+10% kina /AUD Profit & Loss AUD	-10% kina /AUD Profit & Loss AUD
Cash at bank and environmental bond	-	-	-

Sensitivity Analysis 2014

	Carrying Amount kina	+10% kina /AUD Profit & Loss AUD	-10% kina /AUD Profit & Loss AUD
Cash at bank and environmental bond	104,977	5,379	(5,379)

31. FINANCIAL INSTRUMENTS DISCLOSURES (CONTINUED)

(d) General objectives, policies and processes (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.

32. NOTES TO THE STATEMENT OF CASH FLOWS

		Consolidated 2015 $	Consolidated 2014 $
(a)	Non cash transactions during period:		
	Shares issued to directors, secretary and executives on appointment	-	33,750
	Shares based reserve reversal	-	(622,889)
(b)	Reconciliation of loss from ordinary activities after income tax to net cash outflows from operating activities as follows:		
	Operating (loss) after income tax	(1,684,975)	411,952
	Depreciation and amortisation	5,934	56,357
	Unrealised Exchange movements	(16,058)	(644,846)
	Employee entitlements	-	424,682
	Change in operating assets and liabilities:		
	- (Increase) / Decrease in receivables	(7,830)	(2,691)
	- (Increase) / Decrease in other assets	-	(298,188)
	- (Decrease) / Increase in other liabilities	-	122,426
	- (Decrease) / Increase in accounts payable	838,230	(662,803)
	Net Cash outflow from Operating Activities	(864,699)	(1,182,250)

33. SHARE – BASED PAYMENTS

There were no share based payments during the 2015 year.

During the 2014 year, the Company issued 3,950,000 ordinary shares to the following Directors:

Director	Position	No. of Shares	Issued price	Total $
Ben Callanan (1)	Non-executive Director	300,000	$0.10	30,000
Ash Mangano (2)	Managing Director	150,000	$0.025	3,750
Total		450,000		33,750

The value of these shares were based on the share price subscription closest to the date of grant of these shares, being at $0.10 per share (1) and $0.025 per share (2).

LARUS ENERGY LIMITED
DIRECTORS' DECLARATION

for the year ended 31 December 2015

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- 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 consolidated entity's financial position as at 31 December 2015 and of its performance for the financial year ended on that date; and

- subject to the consolidated entity being able to raise sufficient funds via either debt or equity on a timely basis there are reasonable grounds to believe that the consolidated entity 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

21st April 2016

ROTHSAY

Level 1, Lincoln House, 4 Ventnor Avenue, West Perth WA 6005
P.O. Box 8716, Perth Business Centre WA 6849
Phone 9486 7094   www.rothsayresources.com.au

The Directors
Larus Energy Ltd
Level 28 AMP Building
140 St Georges Terrace
Perth WA 6000

Dear Sirs

In accordance with Section 307C of the Corporations Act 2001 (the "Act") I hereby declare that to the best of my knowledge and belief there have been:

i) no contraventions of the auditor independence requirements of the Act in relation to the audit of the 31 December 2015 financial statements; and

ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Graham R Swan (Lead auditor)

Rothsay Auditing

Dated 21st April 2016

Chartered Accountants

ROTHSAY

Level 1, Lincoln House, 4 Ventnor Avenue, West Perth WA 6005
P.O. Box 8716, Perth Business Centre WA 6849
Phone 9486 7094 www.rothsayresources.com.au

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF LARUS ENERGY LTD

Report on the financial report

We have audited the accompanying financial report of Larus Energy Ltd (the Company") which comprises the balance sheet as at 31 December 2015 and the statement of comprehensive income, statement of changes in equity and statement of cash flow state for the period ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the period's end or from time to time during the period.

Directors Responsibility for the Financial Report

The Directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The Directors are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial report is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used in and the reasonableness of accounting estimates made by the directors as well as evaluating the overall presentation of the financial report.

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

Independence

We are independent of the Company, and have met the independence requirements of Australian professional ethical requirements and the *Corporations Act 2001*.

Audit opinion

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

a) (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of their performance for the period ended on that date; and
(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;

b) the consolidated financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial report which indicates the reason for preparing the accounts on a going concern basis. We note the Group incurred a net loss of 1,684,975 and had a net cash outflow from operations of $861,513. In the event the Group is unable to raise additional funding by way of debt or capital raisings, or loses the support of its shareholders including the convertible note holder, there is a material uncertainty as to whether the Group may be able to continue as a going concern and therefore it may be unable to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 31 December 2015. 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.

Audit opinion

In our opinion the remuneration report of Larus Energy Ltd for the year ended 31 December 2015 complies with section 300A of the *Corporations Act 2001*.

Rothsay

Rothsay

Graham R Swan
Partner

Dated 21st April 2016

Chartered Accountants

Liability Limited by the Accountants Scheme, approved under the Professional Standards Act 1994 (NSW).

LARUS ENERGY LIMITED
TENEMENT SCHEDULE

for the year ended 31 December 2015

Tenement	Location	Status	Date Granted	Renewal Date	Area (sq km) (unless otherwise specified)	Registered Holder / Applicant
PPL 326	Torres Basin, Papua New Guinea	Granted/ Current	27/8/09 27/8/15	27/8/15 29/1/21	16,752 (200 graticular blocks)	Larus Energy (PNG) Ltd (100%)