LARUS ENERGY

Larus Energy Limited

ABN 16 140 709 360

and its Controlled Entity

Annual Report
For year ended 31 December 2022

LARUS ENERGY LIMITED
Corporate Directory

DIRECTORS
Richard Gazal
Richard Malcolm
Jon Adgemis
Joe Holloway

COMPANY SECRETARY
Matthew Azar

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

AUDITORS
Rothsay Audit & Assurance Pty Ltd
Level 1, Lincoln House,
4 Ventnor Avenue,
West Perth, WA, 6005

BANKS
Commonwealth Banking Corporation

Bank South Pacific

LARUS ENERGY LIMITED

Contents

Your Directors present their report on the Group consisting of Larus Energy Limited (**Larus** or the **Company**) and the entity it controlled at the end of and during the year ended 31 December 2022.

Directors

Names, qualifications, experience and special responsibilities

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

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

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

He is a major shareholder of Larus Energy and a lender to the Company under the Convertible Note Deed.

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

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

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

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

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

Mr Joe Holloway, Non-executive Director (appointed 14 December 2022)
Mr Holloway is a new member of the Australian board appointed in December 2022, replacing Mr Simon Kaiwi. Joe is a PNG national who also sits on the board of the Company's wholly-owned subsidiary, Larus Energy (PNG) Limited. He represents the company in his capacity as a director on the Australian & PNG Larus entities.

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

Simon Kaiwi – Non-Executive Director (resigned 30 September 2022)
Mr Kaiwi is a PNG national who also sits on the board of the Company's wholly-owned subsidiary, Larus Energy (PNG) Limited, and has done so for many years. Consequently, Mr Kaiwi knows the Company and its operations well.
He was the owner and operator of a successful security and communications company for over 20 years and during this time he also served as President of the National Alliance Party between 2003 and 2012 while Sir Michael Somare was the prime minister of PNG.
Mr Kaiwi is currently the chairman of National Finance Limited in PNG and the Solomon Islands, and is a current shareholder in Larus. Mr Kaiwi resigned as a non-executive director on 30 September 2022.

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

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

	Number of Options	Number of fully paid ordinary shares
Mr Richard Gazal	-	69,877,175
Mr Richard Malcolm	100,000	2,562,000
Mr Jon Adgemis	-	401,755
Mr Matthew Azar	-	1,917,200

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

Company Secretary

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

Principal Activities

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

Operating and Financial Review

Review of operations

Papua New Guinea – PPL579

PPL 579 lies to the south east of Port Moresby covering parts of the Central Province and consists of 110 sub-blocks and covers an area of approximately 9,244km^2 (3,569 mi^2). PPL 579 lies approximately 47% onshore; and approximately 53% in the offshore region of the Papuan Plateau, with roughly half of that in depths of 200m or less and the balance in depths greater than 200m (maximum depth is 1,900m).

PPL579 is described as a frontier area as no hydrocarbon exploration wells have been drilled in the region and previous exploration was limited to surface geological mapping and a small amount of reconnaissance seismic survey data acquisition. Due to an increase in the acquisition of modern 2D seismic data, a number of significant leads and prospects have been defined, thereby increasing the exploration potential for drilling.

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

The G&G work conducted by Larus has enhanced the petroleum prospectivity of the area. Gravity and magnetics modelling has highlighted the large sedimentary section in the region, termed the Torres Basin. Larus has moved in line with other regional explorers and further refined its' understanding of the petroleum potential of the Tertiary turbidite sandstone plays and has recognised the presence of the Paleogene carbonate play within PPL579. In depth work to apply regional context and characterise the petroleum systems elements has been carried out and is ongoing. Geochemical analysis of the Imilia live oil seep in the Torres Basin and petroleum systems modelling has shown that the area has potential for both oil and gas accumulations. This analysis has further strengthened Larus' acreage position, as PPL579 holds the major kitchen for the basin, as well as containing multiple plays and traps which are required for successful hydrocarbon exploration.

Larus has maintained its' strong relationships with the PNG Government and Regulator. Phase-2 commitments of the license period have been fulfilled with the purchase of shipborne gravity & magnetics data from the Haere & Hahonua surveys. A Kupiano presence has been maintained for community awareness matters and reconnaissance work.

Papua New Guinea – APPL580

Larus lodged an application for further onshore acreage in December 2015, APPL580. The application consisted of 10 sub-blocks with an area of approximately 842 square kilometres. The application is on the northern boundary of PPL579. The application was made on the basis of the exploration potential of the region. It gives Larus a large onshore acreage position over the Torres Basin. The application has now been gazetted by the DPE. Assuming no objections are raised, the application will then proceed to be considered by the Minister for approval. Updates on the application process will be provided in due course.

Dr M Swift - Overriding Royalty

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

No royalty was paid to Dr M Swift during the year (2021: nil).

Operating results for the year

The net result of operations after applicable income tax expense of the Group for the year ended 31 December 2022 was a loss of $1,620,339 (2021: $1,748,652).

Financial position and significant changes in state of affairs

The Company raised $430,000 of funding via loans and $448,500 via the issue of shares at $0.10 per share (2021: $240,000 of funding via loans and $958,500 via the issue of shares).

Cash on hand at 31 December 2022 totalled $137,173 (2021: $5,426).

Business strategies, and prospects for future financial years

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

Dividends

No dividends were either paid or declared for the year.

The Directors do not recommend the payment of a dividend in respect of the financial year ended 31 December 2022.

Significant Changes in the State of Affairs

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

Environmental Regulations

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

Share Options

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

Grant date	Expiry date	Exercise price	Number of options
17 February 2019	17 February 2023	$0.20	50,000
2 February 2015	2 February 2024	$0.10	100,000
14 September 2020	2 February 2024	$0.10	100,000
15 October 2022	15 October 2025	$0.10	411,590
			661,590

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

Directors' Meetings

Attendance at Directors' meetings during the year

Directors	Eligible to attend	Attended
Richard Gazal	5	5
Richard Malcolm	5	5
Jon Adgemis	5	4
Joe Holloway (appointed 14 December 2022)	1	1
Simon Kaiwi (resigned 30 September 2022)	5	4

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 51.

Change of Auditor

In accordance with section 329(5) of the Corporations Act 2001, the Company received the resignation of the audit firm trading as Rothsay Auditing and ASIC's consent to that resignation. Rothsay Audit & Assurance Pty Ltd has been appointed auditor of the Company following ASIC and Board approval.

Events Subsequent to Reporting Date

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

Likely Developments

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

Proceedings on Behalf of the Company

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

Remuneration Report

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

Individual key management personnel disclosures

Details of KMP are set out below:

Key management personnel

(i) Directors

Mr Richard Gazal	Chairman
Mr Richard Malcolm	Non-Executive Director
Mr Jon Adgemis	Non-Executive Director
Mr Joe Holloway	Non-Executive Director (appointed 14 December 2022)
Mr Simon Kaiwi	Non-Executive Director (resigned 30 September 2022)

(ii) Executives

Alaister Shakerley	Exploration Manager
Mr Matthew Azar	Company Secretary

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

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

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

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

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

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

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

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

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

Non-executive directors

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

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

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

Mr Gazal, as Chairman, and Mr Adgemis, as Non-Executive Director, have elected not to receive any Directors' fees at the current stage of the Company's development. Mr Malcolm continues to elect to receive a 13% reduction in fees from $22,350 p.a. to $19,800 p.a. which follows earlier reductions from his originally agreed annual fee amount of $60,000 p.a. Over this time, Mr Malcolm continues to work as an executive director when required, at no additional cost to the company. Mr Kaiwi receives fees of $4,500 per annum.

Executive Directors

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

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

B) Senior management employment contracts and remuneration

Mr Alaistair Shakerley – Exploration Manager

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

C) Details of remuneration

Amounts of remuneration

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

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

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

2021	Short-term benefits			Post-employment benefits	Share-base payments		
$	Salary	Directors' Fees	Consulting		Shares	Options	Total
Directors							
Richard Gazal	-	-	-	-	-	-	-
Richard Malcolm	19,800	-	-	1,931	40,200	-	61,931
Mr Jon Adgemis	-	-	-	-	-	-	-
Simon Kaiwi	6,000	-	-	-	33,600	-	39,600
Total Directors	**25,800**	**-**	**-**	**1,931**	**73,800**	**-**	**101,531**
Other key management personnel							
Alaistair Sharkerley	-	-	-	-	-	-	-
Matthew Azar	-	-	-	-	30,600	-	30,600
Total other KMPs	**-**	**-**	**-**	**-**	**30,600**	**-**	**30,600**
Totals	**25,800**	**-**	**-**	**1,931**	**104,400**	**-**	**132,131**

D) Performance based compensation

Options

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

Shares issued on the exercise of options

No ordinary shares of Larus Energy Limited were issued during the year ended 31 December 2022 (2021– Nil) on the exercise of options granted. No further shares have been issued since that date on the exercise of options granted. No amounts are unpaid on any of the shares.

E) Directors' and KMP interests in shares and options

The relevant interest of each directors and key management personnel in office during the years ended 31 December 2022 and 2021 in the share capital of the Company as at the date of this report was as follows:

Shareholdings

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

2021	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	3,857,055	8,000,000	-	-	11,857,055
Richard Malcolm	125,000	402,000	-	-	527,000
Jon Adgemis	401,755	-	-	-	401,755
Simon Kaiwi	706,860	336,000	-	-	1,042,860
Other key management personnel					
Alaistair Sharkerley	-	-	-	-	-
Matthew Azar	32,800	306,000	-	-	338,800

Options over ordinary shares

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

2021	Balance at the start of the year /appointment	Granted	Exercised	Expired/ forfeited / other	Balance at the end of the year/date of resignation
Directors					
Richard Gazal	-	-	-	-	-
Richard Malcolm	100,000	-	-	-	100,000
Jon Adgemis	-	-	-	-	-
Simon Kaiwi	200,000	-	-	-	200,000
Other Key Management Personnel					
Alaistair Sharkerley	-	-	-	-	-
Matthew Azar	-	-	-	-	-

This concludes the remuneration report, which has been 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

27 April 2023

LARUS ENERGY LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 $	2021 $
Revenue		-	1
Expenses			
Interest Expense		(488,198)	(705,700)
Exploration and evaluation costs		(181,953)	(164,177)
Administrative expenses		(450,470)	(739,353)
Depreciation	5	(4,475)	(4,834)
Employment costs	5	(81,457)	(92,319)
Share based payments expense	28	(367,201)	-
Foreign currency loss		(46,585)	(42,270)
Loss before income tax expense		**(1,620,339)**	**(1,748,652)**
Income tax (expense)/benefit	10	**-**	**-**
Net loss from ordinary activities after income tax		**(1,620,339)**	**(1,748,652)**
Other comprehensive income			
Exchange differences on translating foreign controlled entities	19	**(63,077)**	**146,863**
Other comprehensive income for the year		**(63,077)**	**146,863**
Total comprehensive income		**(1,683,416)**	**(1,601,789)**
Basic and diluted loss per share (cents)	9	(4.02)	(4.69)

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

LARUS ENERGY LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Note	2022 $	2021 $
CURRENT ASSETS			
Cash and cash equivalents	11	137,173	5,426
Trade and other receivables	12	42,716	20,752
TOTAL CURRENT ASSETS		**179,889**	**26,178**
NON-CURRENT ASSETS			
Plant and equipment	13	11,098	12,203
Right-of-use assets	13	7,277	10,565
TOTAL NON-CURRENT ASSETS		**18,375**	**22,768**
TOTAL ASSETS		**198,264**	**48,946**
CURRENT LIABILITIES			
Trade and other payables	14	411,123	380,318
Borrowings	15	3,372,351	8,185,152
Lease liabilities	16	6,100	2,805
TOTAL CURRENT LIABILITIES		**3,789,574**	**8,568,275**
NON-CURRENT LIABILITIES			
Lease liabilities	16	1,774	8,052
TOTAL NON-CURRENT LIABILITIES		**1,774**	**8,052**
TOTAL LIABILITIES		**3,791,348**	**8,576,327**
NET ASSETS		**(3,593,084)**	**(8,527,381)**
SHAREHOLDERS' EQUITY			
Issued capital	17	26,169,532	19,575,280
Foreign currency translation reserve	19	(1,290,723)	(1,227,646)
Option reserve		50,006	26,545
Accumulated losses		**(28,521,899)**	**(26,901,560)**
TOTAL EQUITY		**(3,593,084)**	**(8,527,381)**

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

LARUS ENERGY LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Issued Capital	Accumulated Losses	Foreign Currency Translation Reserve	Share Based Payments Reserve	Total
	$	$	$	$	$
At 31 December 2020	**18,616,780**	**(25,152,908)**	**(1,374,509)**	**26,545**	**(7,884,092)**
Transactions with owners in their capacity as owners					
Issue of shares	958,500	-	-	-	958,500
	958,500				958,500
Loss for the year (restated)	-	(1,748,652)	-	-	(1,748,652)
Exchange differences on translating foreign controlled entities	-	-	146,863	-	146,863
Total comprehensive income for the year	-	(1,748,652)	146,863	-	(1,601,789)
At 31 December 2021	**19,575,280**	**(26,901,560)**	**(1,227,646)**	**26,545**	**(8,527,381)**
At 31 December 2021	**19,575,280**	**(26,901,560)**	**(1,227,646)**	**26,545**	**(8,527,381)**
Transactions with owners in their capacity as owners					
Issue of shares	792,240	-	-	-	792,240
Issue of options				23,461	23,461
Conversion of loan to equity	5,802,012	-	-	-	5,802,012
	6,594,252	-	-	23,461	6,617,713
Loss for the year	-	(1,620,339)	-	-	(1,620,339)
Exchange differences on translating foreign controlled entities	-	-	(63,077)	-	(63,077)
Total comprehensive income for the year	-	(1,620,339)	(63,077)	-	(1,683,416)
At 31 December 2022	**26,169,532**	**(28,521,899)**	**(1,290,723)**	**50,006**	**(3,593,084)**

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 $	2021 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(742,081)	(1,089,185)
Interest paid		(1,689)	(589)
NET CASH OUTFLOWS FROM OPERATING ACTIVITIES	27(a)	**(743,770)**	**(1,089,774)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		-	(1,505)
NET CASH OUTFLOWS FROM INVESTING ACTIVITIES		**-**	**(1,505)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares, net of share issue cost		448,500	958,500
Proceeds from loans		430,000	240,000
Repayment of lease liabilities		(2,983)	(2,196)
Repayment of short-term loan		-	(101,595)
NET CASH INFLOWS FROM FINANCING ACTIVITIES		**875,517**	**1,094,709**
NET INCREASE IN CASH HELD		**131,747**	**3,430**
Cash and cash equivalents at the beginning of the financial year		5,426	1,996
Cash and cash equivalents at the end of the financial year	11	**137,173**	**5,426**

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 27 April 2023. The directors have the power to amend and reissue the financial report.

(a) Basis of preparation

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

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

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

(b) 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 2022 of $1,638,037 (2021: $1,748,652) and a net cash outflow from operations of $908,259 (2021: $1,236,637). The Group had cash on hand of $137,173 (2021: $5,426) and its current liabilities exceed the current assets by $3,609,685 (2021: $8,542,097).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Going concern (continued)

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

- The Group will continue to raise additional funds via proposed capital raisings on a timely manner in order to fund the activities of the Group;
- The continued financial support from the Company's directors; and
- The Group 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.

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

(d) 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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 is based on the number of equity instruments that eventually vest.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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. On this basis, the Company has elected to expense all exploration and evaluation expenditure.

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

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

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

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

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

(l) 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Financial instruments (continued)

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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Financial instruments (continued)

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.

(m) 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.

(n) 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.

(o) 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Foreign currency translation (continued)

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.

(p) 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.

(q) 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Impairment of assets (continued)

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.

(r) 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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Income tax (continued)

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.

(s) 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.

(t) Plant and equipment

Each class of 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Plant and equipment (continued)

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.

(u) 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 Group has control. The Group controls an entity when the Group 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 Group. They are de-consolidated from the date that control ceases. A list of controlled entities is contained in Note 23 to the financial statements.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group 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 Group.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Principles of consolidation (continued)

Where the Group 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 Group 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.

(v) Revenue

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).

(w) 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 losses / 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) 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.

(y) Trade and other receivables

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

(z) Leases

Right-of-use assets
A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

Lease liabilities
A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

(aa) Comparatives

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(bb) Application of new and revised Accounting Standards

New, revised or amending Accounting Standards and Interpretations adopted

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

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

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

New standards and interpretations not yet adopted

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

2. FINANCIAL RISK MANAGEMENT

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

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

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

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

This is discussed further in Note 26.

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.

Exploration and evaluation expenditure

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

Share based payments

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

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

Further details of all relevant terms and conditions and assumptions are contained in Note 28.

4. PARENT COMPANY INFORMATION

	2022 $	2021 $
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Current assets	163,896	24,912
Non-current assets	8,450,945	8,360,587
TOTAL ASSETS	8,614,841	8,385,499
LIABILITIES		
Current liabilities	3,784,284	8,566,232
Non-current liabilities	-	-
TOTAL LIABILITIES	3,784,284	8,566,232
EQUITY		
Issued capital	26,169,532	19,575,280
Reserves	(1,239,278)	(1,197,643)
Accumulated losses	(20,099,697)	(18,558,370)
TOTAL EQUITY	4,830,557	(180,733)
STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME		
Net (loss) for the year, net of tax	(1,541,327)	(1,628,862)
Other comprehensive income, net of tax	-	-
TOTAL COMPREHENSIVE INCOME	(1,541,327)	(1,628,862)

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 2022, Larus Energy Limited had no contingent liabilities (31 December 2021 – Nil).

Contractual commitments
At 31 December 2022, Larus Energy Limited had not entered into any contractual commitments for the acquisition of property, plant and equipment (31 December 2021 – Nil).

	2022 $	2021 $

5. 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:

	2022 $	2021 $
Depreciation and amortisation:		
Depreciation of plant and equipment and right of use asset	4,449	2,965
Amortisation of leasehold improvements	26	1,869
	4,475	4,834
Employment costs:		
Salaries & wages	24,864	25,800
Superannuation	2,030	1,931
Remuneration of PNG Subcontractors	54,563	64,588
	81,457	92,319

6. KEY MANAGEMENT PERSONNEL COMPENSATION

	2022 $	2021 $
Short-term employee benefits	191,684	25,800
Post-employment benefits	2,030	1,931
Share-based payments	343,740	104,400
	537,454	132,131

7. REMUNERATION OF AUDITORS

	2022 $	2021 $
Audit of the consolidated financial report	8,190	6,000
	8,190	6,000

8. 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.

	2022 $	2021 $

9. BASIC AND DILUTED LOSS PER SHARE

Net loss from ordinary activities after income tax expense	1,620,339	1,748,652
Weighted average number of shares used in basic and diluted loss per	41,788,486	37,274,438
Basic and diluted loss per share (cents per share)	(4.02)	(4.69)
Anti-dilutive options on issue not used in dilutive EPS calculation	661,590	393,090

10. TAXATION

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

Net loss before tax from ordinary activities	(1,620,339)	(1,748,541)
Income tax expense (benefit) calculated at 25% of operating loss (2021: 26%)	(405,085)	(454,650)
Deferred tax amounts not recognised	405,085	454,650
Income tax expense (benefit)	-	-

Deferred tax balances not recognized

calculated at 25% not brought to account as assets:

Revenue tax losses available for offset against future taxable income	3,278,124	2,873,039

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

(i) the Company and the Group derive further assessable income of a nature and of an amount sufficient to enable the benefit from the deductions to be realised;

(ii) the company and the Group continue to comply with the conditions for deductibility imposed by the law; and

(iii) no changes in tax legislation adversely affect the company's and the Group's ability in realising the benefit from the deductions.

11. CASH AND CASH EQUIVALENTS

Cash at bank and on hand	137,173	5,426
	137,173	5,426

12. TRADE AND OTHER RECEIVABLES

Other debtors	17,587	12,889
Advance to employees	14,667	-
Prepayments	10,462	7,863
	42,716	20,752

	2022 $	2021 $
13. PLANT AND EQUIPMENT		
Computer Hardware and Software		
Cost	42,448	42,448
Accumulated depreciation	(42,448)	(42,448)
	-	-
Plant and equipment		
Cost	49,142	49,142
Accumulated depreciation	(38,915)	(37,785)
	10,227	11,357
Motor vehicles		
Cost	177,703	167,220
Accumulated depreciation	(176,832)	(166,401)
	871	819
Leasehold improvements		
Cost	18,691	18,691
Accumulated depreciation	(18,691)	(18,664)
	-	27
Total Plant and Equipment	11,098	12,203
Right-of-use Asset		
Cost	12,369	12,369
Accumulated depreciation	(5,092)	(1,804)
	7,277	10,565

14. TRADE AND OTHER PAYABLES

	2022	2021
Trade creditors	92,682	79,119
Unpaid expense claims (i)	297,471	292,909
Sundry creditors and accruals	20,970	8,290
	411,123	380,318

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

15. BORROWINGS

	2022 $	2021 $
Current		
Convertible loan facilities (i) & (ii) & (iv) & (v)	3,372,351	2,606,290
Convertible Notes & Option Deed (iii)	-	5,578,862
	3,372,351	8,185,152

(i) The Company entered into a 12 month convertible loan facility agreement with JAGA Securities Pty Ltd AFT JAGA Investment Trust (the Lender), a company associated with Director, Mr Jon Adgemis, on 10 May 2018 for a facility of $200,000. The Company may draw down on the facility in amounts agreed by the parties and bears interest of 15% per annum from the date of each draw down of funds. Interest is payable at maturity or capitalised. The loan is convertible into fully paid ordinary shares if the Company is unable to repay the loan in which case it is convertible into fully paid ordinary shares unless the Lender gives the Company a notice of extension. Principal and interest accrued, but not yet paid, for the year ended 31 December 2022 was $320,240. The convertible loan is unsecured.

(ii) The Company entered into a 12 month convertible loan facility agreement with Richard Gazal (the Lender), on 15 March 2019 for a facility of $200,000. The Company may draw down on the facility in amounts agreed by the parties and bears interest of 15% per annum from the date of each draw down of funds. Interest is payable at maturity or capitalised. The loan is convertible into fully paid ordinary shares if the Company is unable to repay the loan in which case it is convertible into fully paid ordinary shares unless the Lender gives the Company a notice of extension. This facility was increased by an additional $200,000 under the same terms on 15 July 2019, 2 December 2019 and 29 April 2020. Principal and interest accrued, but not yet paid, for the year ended 31 December 2022, was $1,148 ,848. The convertible loan is unsecured.

(iii) The Company entered into a Secured Convertible Note Deed with 3C Consolidated Capital Pty Ltd (formerly CINU Investments Pty Limited, a company associated with Director, Mr Richard Gazal) on the 18th September 2013 for the amount of up to $1,000,000 with the option of a further $1,000,000 at an interest rate of 8% p.a. (15% when in default) payable in arrears. The option was increased by an additional $1,000,000 on 23 September 2016 under the same terms. The convertible note is secured. On the 12 July 2018 the notes were transferred from 3C Consolidated Capital Pty Ltd (formerly CINU Investments Pty Limited, a company associated with Director, Mr Richard Gazal) to Mr Richard Gazal. On 30 June 2022, the notes were converted to equity and Mr Richard Gazal was issued with 58,020,120 shares in the Company.

(iv) The Company entered into a loan facility agreement on 28 June 2021 with Richard Gazal (the lender) for a facility of $1,000,000. The Company may draw down the facility in the amounts agreed by the parties and bears interest of 10% per annum from the date of each draw down of funds. Interest is payable at maturity or capitalised. The loan is convertible into fully paid ordinary shares if the Company is unable to repay the loan in which case it is convertible into fully paid ordinary shares unless the lender gives the Company a notice of extension. As at 31 December 2022, $670,000 of the total facility amount was drawn down. Principal and interest accrued, but not yet paid, for the year ended 31 December 2022 was $727,156. The loan is unsecured.

(v) The Company entered into a loan agreement with 3C Group Limited (the Lender), on 12 April 2018 for a facility of $613,974. The facility is for a 3 year term and accrues interest of 15% per annum. Principal and interest accrued, but not yet paid, for the year ended 31 December 2022 outstanding on this amount is $1,176,107. The loan is unsecured.

16. LEASES

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

	2022	2021
	$	$
Interest expense	1,020	684
Depreciation of right-of-use assets	3,288	1,804
	4,308	2,488

(a) Lease Liabilities

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

Year ended 31 December 2022	< 1 year	1-5 years	Total undiscounted lease liabilities	As in Statement of Financial Position
Lease liabilities	4,003	5,671	9,674	7,874

17. ISSUED CAPITAL

	2022	2021
	$	$
Ordinary shares - fully paid 107,903,040 (2021 – 41,916,520)	28,541,752	21,947,500
Less share issue costs	(2,372,220)	(2,372,220)
	26,169,532	19,575,280

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 2021	41,960,520	19,575,280
- 2022 capital raise ($0.10 per share)	4,485,000	448,500
- Conversion of loan to equity on 30 June 2022 ($0.10 per share)	58,020,120	5,802,012
- Staff allotments ($0.10 per share)	3,437,400	343,740
Balance as at 31 December 2022	107,903,040	26,169,532

18. OPTIONS

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

2022

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

2021

Expiry Date	Exercise Price	Balance at 31 December 2020	Granted	Exercised	Lapsed	Balance at 31 December 2021
19 October 2021	1.00	100,000			(100,000)	-
17 February 2022	0.20	50,000	-	-	(50,000)	-
17 February 2023	0.20	50,000	-	-	-	50,000
2 February 2024	0.10	100,000	-	-	-	100,000
2 February 2024	0.10	100,000	-	-	-	100,000
3 August 2024	0.20	49,590	-	-	-	49,590
3 August 2024	0.10	-	93,500	-	-	93,500
		449,590	**93,500**	**-**	**(150,000)**	**393,090**

(i) 50,000 performance options issued to Dr Michael Swift vested on 17 February 2019.
(ii) Options were cancelled during the year and reissued on 15 October 2022 (see point (iii) below).
(iii) 411,590 options were granted to George Tucker on 15 October 2022 in lieu of brokerage fees. These held no vesting conditions and as such, vested immediately.

19. FOREIGN CURRENCY TRANSLATION RESERVE

	2022 $	2021 $
Balance at the beginning of the financial year	(1,227,646)	(1,374,509)
Exchange difference arising on translation of foreign controlled subsidiaries	(63,077)	146,863
Balance at the end of the financial year	(1,290,723)	(1,227,646)

Nature and purpose of reserve

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

20. CONTINGENT LIABILITIES

There are no contingent liabilities.

21. COMMITMENTS

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

PPL 579 (PNG)

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

There is an optionality to extend thereafter with further relinquishment of area.

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

Work commitments under the extended license are looked at in 3 periods of a 2 year extent, followed by a 2 year period. The work program for period 1, 2 and 3 is:

(a) Years 1&2

- Reprocess all existing public available reflection data. This includes the Baramata Seismic Survey, the Abau Seismic Survey and the Paluma Seismic Survey.
- Undertake regional geological and geophysical review that will include:
  Modelling of existing TMI aeromagnetic data;
  Modelling of existing gravity data;
  Petroleum System and Geohistory analysis;
  Mesozoic section characterization;
  Tertiary geological characterization studies. May include surface geological mapping;
  Miocene carbonate fairway analysis;
  Seismic stratigraphic analysis;
  Regional plate reconstruction history;
  Update plays, leads and prospect portfolio;
  Onshore seep investigation,

(b) Years 3&4

- Purchase of ship-borne gravity and magnetic data from the Haere, Hahonoa and Lahara Seismic Surveys acquired in and around PPL 579;
- A re-interpretation of available seismic data utilizing tectono-sequence stratigraphic techniques;

(c) Years 5,6,7 & 8

- Licence 1,000 seismic line km's of the Haere and Hahonoa Survey's;
- Licence upgraded reprocessed Lahara Survey;
- Licence the Davaria Survey drop-core and heat flow measurements in the area of interest

22. ROYALTIES

Applied GeothermEx Pty Ltd (M Swift) – Overriding Royalty

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

23. PARTICULARS RELATING TO CONTROLLED ENTITIES

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

24. RELATED PARTY DISCLOSURES

(a) Associates of directors

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

(b) Transactions with associates of directors

i. The Company entered into a 12 month convertible loan facility agreement with JAGA Securities Pty Ltd AFT JAGA Investment Trust (the Lender), a company associated with Director, Mr John Adgemis, on 10 May 2018 for a facility of $200,000. The Company may draw down on the facility in amounts agreed by the parties and bears interest of 15% per annum from the date of each draw down of funds. Interest is payable at maturity. The loan is convertible into fully paid ordinary shares if the Company is unable to repay the loan in which case it is convertible into fully paid ordinary shares unless the Lender gives the Company a notice of extension. The convertible loan is unsecured.

ii. The Company entered into a 12 month convertible loan facility agreement with Richard Gazal (the Lender), on 15 March 2019 for a facility of $200,000. The Company may draw down on the facility in amounts agreed by the parties and bears interest of 15% per annum from the date of each draw down of funds. Interest is payable at maturity. The loan is convertible into fully paid ordinary shares if the Company is unable to repay the loan in which case it is convertible into fully paid ordinary shares unless the Lender gives the Company a notice of extension. This facility was increased by an additional $200,000 under the same terms on 15 July 2019. again on 2 December 2019 and on 29 April 2020. The convertible loan is unsecured.

iii. The Company entered into a loan agreement with 3C Group Limited (the Lender), on 12 April 2018 for a facility of $613,974. The facility is for a 3 year term and accrues interest of 15% per annum. The loan is unsecured.

24. RELATED PARTY DISCLOSURES (CONTINUED)

iv. The Company entered into a Secured Convertible Note Deed with 3C Consolidated Capital Pty Limited (3CCC) (formerly 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. The option was increased by an additional $1,000,000 on 23 September 2016 under the same terms. On the 12th July 2018 the notes were transferred from 3CCC to Richard Gazal. On 30 June 2022, the notes were converted to equity, resulting in the issue of 58,020,120 shares to Richard Gazal.

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

vi. The Company entered into a loan facility agreement on 28 June 2021 with Richard Gazal (the lender) for a facility of $1,000,000. The Company may draw down the facility in the amounts agreed by the parties and bears interest of 10% per annum from the date of each draw down of funds. Interest is payable at maturity or capitalised. The loan is convertible into fully paid ordinary shares if the Company is unable to repay the loan in which case it is convertible into fully paid ordinary shares unless the lender gives the Company a notice of extension. As at 31 December 2022, $670,000 of the total facility amount has been drawn down. The loan is unsecured.

25. EVENTS OCCURRING AFTER THE END OF THE FINANCIAL YEAR

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

26. 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.

	2022 $	2021 $

26. FINANCIAL INSTRUMENTS DISCLOSURES (CONTINUED)

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

	2022 $	2021 $
Cash and cash equivalents	137,173	5,426
Net debt	3,372,351	8,185,152
Share capital	26,169,532	19,575,280
Reserves	(1,236,301)	(1,201,101)
Accumulated losses	(28,521,899)	(26,901,268)
Total equity	(3,593,084)	(8,527,381)
Gearing ratio	(0.94)	(0.96)

(b) Financial instrument risk exposure and management

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

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

(c) Principal financial instruments

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

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

(d) General objectives, policies and processes

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

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

26. FINANCIAL INSTRUMENTS DISCLOSURES (CONTINUED)

(i) Credit risk

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

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

(ii) Liquidity risk

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

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

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

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

Maturity Analysis - Consolidated – 2022

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

26. FINANCIAL INSTRUMENTS DISCLOSURES (CONTINUED)

Maturity Analysis - Consolidated – 2021

	Within 1 year	1 to 5 years	Over 5 years	Total contractual cash flow
Financial Liabilities				
Trade Creditors and accruals	380,318	-	-	380,318
Borrowings	8,185,152	-	-	8,185,152
Lease liability	2,805	8,052		10,857
	8,568,275	8,052	-	8,576,327
Financial assets				
Cash	5,246	-	-	5,246
Receivables - Current	20,752	-	-	20,752
	25,998	-	-	25,998
Net (outflow) / inflow for financial instruments	**(8,542,277)**	**(8,052)**	**-**	**(8,550,329)**

Financial assets are not past due nor impaired.

(iii) Market risk

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

(iv) Interest rate risk

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

(v) Foreign exchange risk

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

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

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

26. FINANCIAL INSTRUMENTS DISCLOSURES (CONTINUED)

(vi) Sovereign risk

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

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

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

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

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

(e) Fair value

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

27. NOTES TO THE STATEMENT OF CASH FLOWS

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

	2022	2021
	$	$
Operating (loss) after income tax	**(1,620,339)**	**(1,748,652)**
Non-Cash items – income and expenditure		
Depreciation and amortisation	4,475	4,834
Share based payment expenses	367,201	-
Accrued interest	486,509	704,427
Change in operating assets and liabilities:		
- (Increase)/Decrease in accounts receivable	(19,350)	4,653
- Increase/(Decrease) in accounts payable	40,348	(53,258)
- (Increase)/Decrease in prepayments	(2,614)	(1,778)
Net Cash (outflow) from Operating Activities	**(743,770)**	**(1,089,774)**

28. SHARE-BASED PAYMENTS

(a) Shares:

4,485,000 shares were issued at a price of $0.10 and an additional 58,020,120 shares were issued to director Richard Gazal as part of the conversion of his convertible loan to equity at the same share price. The issue prices of these shares were based on the share price subscription closest to the date of the grant of these shares, being $0.10 per share. No costs were associated with the issue of these shares. Additionally, 3,437,400 shares were issued as part of a staff allotment to Matthew Azar, Richard Malcolm and Simon Kaiwi at a share price of $0.10 in lieu of board and management fees during the year.

(b) Options:

During the 2022 year, 411,590 options were issued to a shareholder at an exercise price of $0.10 per share, with an expiry in 15 October 2025. These options vested immediately given the absence of any vesting conditions.

(c) Valuation of Options and Performance Option:

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

Directors' Declaration

In the directors' opinion:

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

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

- the attached financial statements and notes thereto give a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the financial year ended on that date; and

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

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

Mr Richard Gazal

Chairman

27 April 2023

ROTHSAY
AUDIT & ASSURANCE PTY LTD

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

To the directors of Larus Energy Limited

As lead auditor of Larus Energy Limited for the year ended 31 December 2022, I declare that, to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Larus Energy Limited and the entity it controlled during the year.

Rothsay Audit & Assurance Pty Ltd

GWebb

Graham Webb
Director

27 April 2023

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LARUS ENERGY LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Larus Energy Limited ("the Company") and the entity it controls ("the Group") which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended on that date and notes to the financial statements, including a summary of significant accounting policies and the directors' declaration of the Company.

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

(i) giving a true and fair view of the Group's financial position as at 31 December 2022 and of its financial performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1(c) in the financial report, which indicates that the Company incurred a net loss of $1,620,339 during the year ended 31 December 2022 and, as of that date, the Company's current liabilities exceeded its current assets by $3,609,685. As stated in Note 1(c), these events or conditions, along with other matters as set forth in Note 1(c), indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

LARUS ENERGY LIMITED (continued)

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2022 but does not include the financial report and our auditor's report thereon.

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

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

If based on the work we have performed we conclude there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibility for the Financial Report

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

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

Auditor's Responsibility for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/Home.aspx.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

LARUS ENERGY LIMITED (continued)

We communicate with the directors regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

Opinion on the Remuneration Report

We audited the remuneration report included in the directors' report for the year ended 31 December 2022.

In our opinion the remuneration report of Larus Energy Limited for the year ended 31 December 2022 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

Rothsay Audit & Assurance Pty Ltd

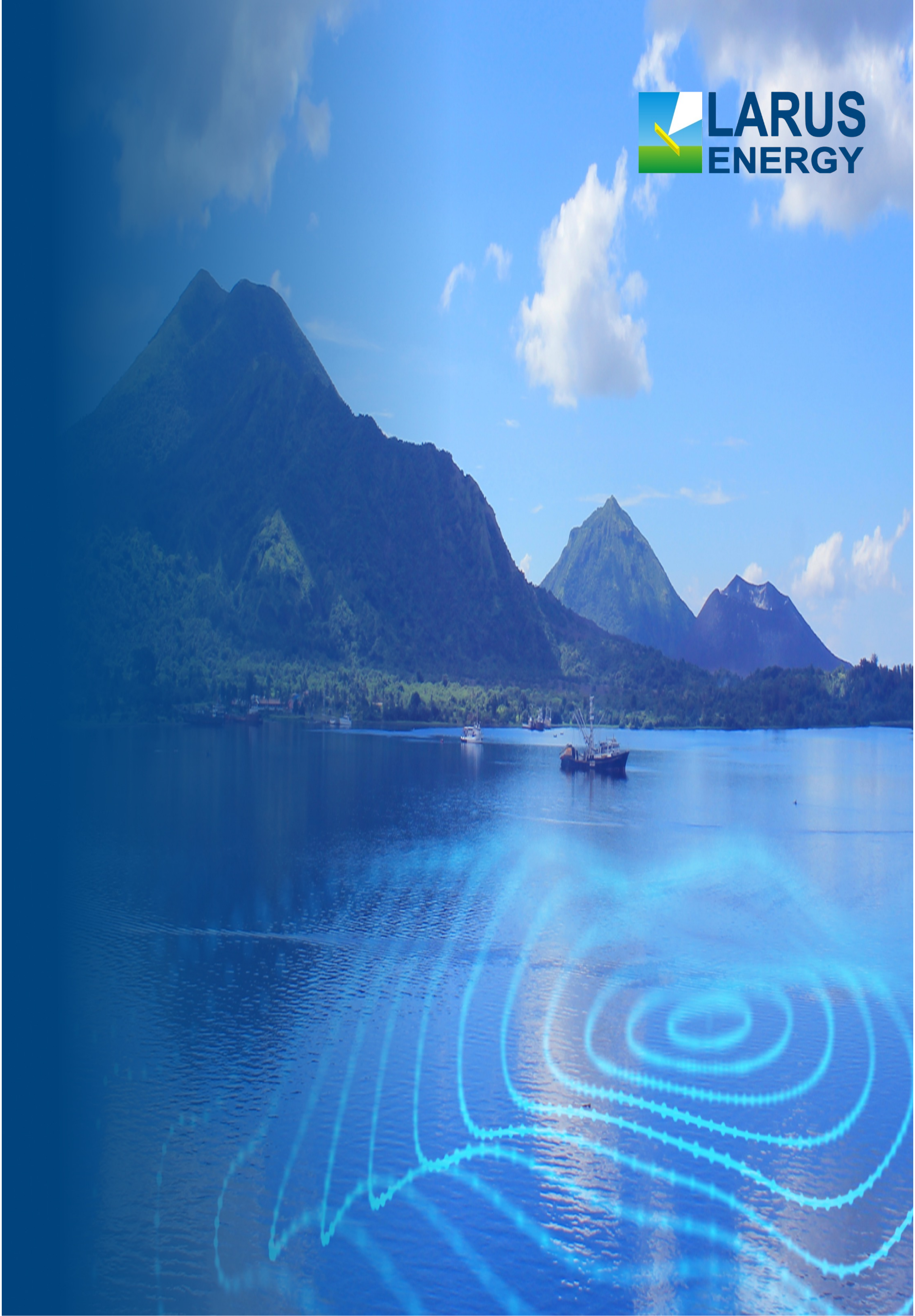
Graham Webb
Director

27 April 2023

LARUS ENERGY LIMITED
TENEMENT SCHEDULE

for the year ended 31 December 2022

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


LARUS
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