

Tlou Energy Limited

A.B.N. 79 136 739 967

Consolidated Financial Statements for the half-year ended 31 December 2020

Corporate Directory

ABN	79 136 739 967
Directors	Martin McIver Anthony Gilby Gabaake Gabaake Colm Cloonan Hugh Swire Linah Mohohlo
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Telephone:	+61 7 3012 9793
Solicitors	Delphi Partners Level 23 307 Queen Street Brisbane QLD 4000
Auditors	BDO Audit Pty Ltd Level 10 12 Creek Street Brisbane QLD 4000

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Directors' report

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the "consolidated entity") consisting of Tlou Energy Limited (referred to hereafter as the "Company" or "Tlou") and the entities it controlled at 31 December 2020.

Directors

The names of the directors who held office at any time during the half-year and up to the date of this report are:

Martin Mclver	Non-Executive Chairman
Anthony Gilby	Managing Director & Chief Executive Officer
Gabaake Gabaake	Executive Director
Colm Cloonan	Finance Director
Hugh Swire	Non-Executive Director
Linah Mohohlo	Non-Executive Director

Directors have been in office since the start of the half-year to the date of this report unless otherwise stated.

Principal Activities

The principal activity of the consolidated entity is to develop assets in Botswana for power generation. This includes the exploration and evaluation of Coalbed Methane (CBM) natural gas and development of solar power generation. CBM and solar power can operate as standalone projects or as a hybrid solar and gas solution to provide cleaner baseload power. No revenue from this activity has been earned to date, as the consolidated entity is still in the exploration and evaluation or pre-development stage.

There have been no significant changes in the nature of the group's principal activities during the half-year.

Review and results of operations

The loss for the half-year after income tax amounted to \$1,068,246 (December 2019: loss \$1,569,687). Information on operations and results during the period are set out below.

Project areas

The Company has three project areas in Botswana:

- Lesedi Project – *Gas & Solar Development, Exploration & Evaluation*
- Mamba Project – *Exploration & Evaluation*
- Boomslang Project – *Exploration & Evaluation*

Lesedi CBM Project Area, Botswana

Licences: Mining Licence 2017/18L, Prospecting Licences 001 & 003/2004 and 35 & 37/2000

Ownership: Tlou Energy Limited 100%

The Lesedi project covers an area of approximately 3,800 Km² and consists of four Coal and Coal Bed Methane (CBM) Prospecting Licences (PL) and a Mining Licence. The Mining Licence area is currently the focal point for the Company's operations and includes the Lesedi production wells or 'pods'.

The Lesedi project is the Company's most advanced project. Plans are in place to purchase land at the Lesedi project, install solar photovoltaic (PV) panels and gas-fired electricity generators and connect to the power grid in Botswana. The project has full environmental approval which includes gas extraction, electricity generation and construction of transmission lines. In addition, the Company has approval for 20MW of solar generation. CBM power is ideal for use in conjunction with solar projects. A generation license has also been granted by the Botswana Energy Regulatory Authority (BERA). This licence has a 15-year term and is valid for both solar and gas-fired generation.

A mining licence is required by an operator to develop a CBM asset. Tlou's mining licence spans 900 Km² and is valid until 2042.

Tlou has the only independently certified CBM gas reserves in Botswana, with 252 Billion Cubic Feet (BCF) of 3P gas Reserves certified in the Lesedi project area. In addition, the 3C Contingent Gas Resources are approximately 3 Trillion Cubic Feet (TCF).

Initial development of the Lesedi project is planned to be up to 10MW of power. With plans for solar and gas fired power, these can be standalone operations or a hybrid solution with gas-fired power able to provide back-up power when solar is not available. The location of the Central Processing Facility (generation site) at the Lesedi project is approximately 100 Km from the electricity grid. The Company is planning to construct a 100 Km transmission line and is in the process of securing funding to do so.

The proposed off-taker (purchaser) of the power generated by Tlou is the national energy utility, Botswana Power Corporation (BPC). The Company has signed a Power Purchase Agreement (PPA) with BPC for the first 2MW of electricity. A submission has also been made to secure a PPA for up to 10MW.

Directors' report continued

The status of the Lesedi area licences is as follows:

Licence	Expiry	Status
Mining Licence 2017/18L	August 2042	Current
PL 001/2004	March 2021	Current
PL 003/2004	March 2021	Current
PL 035/2000	September 2022	Current
PL 037/2000	September 2022	Current

Mamba Project Area, Botswana

Licences: Prospecting Licences 237-241/2014

Ownership: Tlou Energy Limited 100%

The Mamba project consists of five Coal and CBM PL's covering an area of approximately 4,500 Km². The Mamba area is situated adjacent to Tlou's Lesedi project and is on-trend with the asset that has produced the encouraging results observed to date. In the event of a gas field development by Tlou, the Mamba area provides the Company with flexibility and optionality.

Independently certified 3P Gas Reserves of 175 BCF are already in place at the Mamba project. The Mamba project is in the exploration and evaluation phase with further operations required on these licences. The next stage of development is likely to be core-hole drilling and a seismic survey of the area. Positive results from these operations could expand the reserves footprint across the Mamba project area.

The Mamba area has the potential to become a separate revenue generating development project in addition to the proposed development at Lesedi, with solar and gas-fired generation a possibility subject to approvals. Geographically, the Mamba project area is approximately 50 Km closer to the Orapa power station compared to the Lesedi project area. The potential exists for a gas pipeline to be constructed to supply gas from the Mamba project to the 90MW Orapa power station.

The status of the Mamba area licences is as follows:

Licence	Expiry	Status
PL 237/2014	September 2021	Current
PL 238/2014	September 2021	Current
PL 239/2014	September 2021	Current
PL 240/2014	September 2021	Current
PL 241/2014	September 2021	Current

Boomslang Project Area, Botswana

Licence: Prospecting Licence 011/2019

Ownership: Tlou Energy Limited 100%

The Company's most recently acquired Prospecting Licence, PL011/2019 designated "Boomslang", is valid for an initial term of 3 years. The licence area is approximately 1,000 Km² and is situated adjacent to the Company's existing licences. The Boomslang area is also located on-trend with the asset that has produced the encouraging results observed to date at the Lesedi project.

The Boomslang licence area provides the Company further flexibility and optionality for development of different projects. There have been no ground operations completed in the Boomslang area as the Company is awaiting confirmation of environmental approval to commence exploration activities. Once approved (and subject to funding) initial exploration work is planned for this area. Similar to the Lesedi and Mamba areas, the Boomslang project could produce solar and gas-fired power.

The status of the Boomslang area licence is as follows:

Licence	Expiry	Status
PL 011/2019	March 2022	Current

Directors' report continued

Lesedi CBM project – Production testing

Gas continues to flow at the Company's production well Lesedi 4P. The Lesedi 4P gas rate has shown a steady increase over time while water rates are progressively decreasing. The continuous nature of the gas flow throughout the year with the steady incline being observed is very encouraging.

Gas flow rates are not anticipated to increase materially until further drilling is carried out. Lesedi 4P is a single well and is not part of a mature gas field where multiple adjacent wells would all be assisting with the dewatering of the reservoir. Once further water can be removed from the system by additional wells, the Company expects that gas should start to substantially increase.

The continuous gas flow reinforces the significant upside potential for shareholders and along with Thlou's plans for solar power, could create a new cleaner power opportunity for the region. Only the deeper gas target horizon (Morupule coal seam) has been explored to date with at least one other shallower potentially productive zone (Serowe coal seam) yet to be evaluated.

Power Purchase Agreement (PPA)

Formalities having been completed for a 2MW Power Purchase Agreement (PPA) with Botswana Power Corporation (BPC) with the Company having received the signed PPA and Grid Connection Agreement. These agreements represent significant achievements and show substantial progress for the Lesedi Power Project.

Project Finance

The Company is currently seeking funding for development of Lesedi. The project is proposed to be developed in two phases.

Phase one involves transmission line construction, sub-stations, grid connection, electricity generators and potentially the drilling of additional gas wells. The ~100 Km transmission line will run from the Lesedi project to the town of Serowe where it will connect to the existing power grid. Initial generation is proposed to be up to 2MW of electricity. Funding required for phase one is ~USD \$10m which can be staged if necessary or prudent to do so.

Phase two funding is for the expansion of electricity generation up to 10MW. This will involve drilling more gas wells and the purchase of additional electricity generation assets. Funding required for phase two is ~USD \$20m. Upon successful completion of phase one and two, the Company plans to expand the project beyond 10MW.

Transmission Line

Detailed design and engineering of the ~100 Km transmission line and associated infrastructure to connect Lesedi to the electricity grid has been completed by the Company's engineers Mott MacDonald. This work included selecting qualified parties to tender for construction of the transmission line and associated infrastructure.

Requests to tender were sent to the qualified parties in December 2020, with responses received in Q1 2021. Evaluation of bids and award of contracts are planned for Q2 2021.

Significant changes in the state of affairs

During the half-year ended 31 December 2020, there were no other significant changes to the state of affairs of the consolidated entity other than those stated above and disclosed in the financial report and notes thereof.

Matters subsequent to the end of the half-year

Other than the matters discussed in this report, there has not arisen in the interval between the end of the half-year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect significantly the operations of the group, the results of those operations or the state of affairs of the group in subsequent financial periods.

Likely developments and expected results of operations

The Company is pursuing options to secure additional agreements for the purchase for Thlou's gas or power. The Company will also require commercial gas flow rates and further funding to bring the project into development. The COVID-19 pandemic has restricted the level of operations for the past year and it remains unknown how long this may continue to have an impact on the Company's operations. The results of these matters are not yet known and cannot be determined with certainty. Commencement of planned power projects may depend on the successful outcome of some or all of these items.

Directors' report continued

Auditor's Independence Declaration

The auditor's independence declaration for the half-year ended 31 December 2020 has been received and is attached to this report.

Signed in accordance with a resolution of the Board of Directors.



Anthony Gilby
Managing Director

Brisbane
26 February 2021

Auditor's independence declaration



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DECLARATION OF INDEPENDENCE BY T R MANN TO THE DIRECTORS OF TLOU ENERGY LIMITED

As lead auditor for the review of Tlou Energy Limited for the half-year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Tlou Energy Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'T R Mann', with a long horizontal flourish extending to the right.

T R Mann
Director

BDO Audit Pty Ltd

Brisbane, 26 February 2021

**Consolidated statement of comprehensive income
for the half-year ended 31 December 2020**

	Note	Consolidated	
		Dec 2020	Dec 2019
		\$	\$
Interest income		399	340
Other income		50,000	-
Expenses			
Employee benefits expense		(264,897)	(624,243)
Depreciation expense		(286,999)	(311,775)
Foreign exchange gain/(loss)		(35,300)	42,885
Share based payment expense		-	(49,881)
Professional fees		(98,305)	(67,730)
Occupancy costs		(15,427)	(30,748)
Other expenses	2	(417,717)	(528,535)
LOSS BEFORE INCOME TAX		(1,068,246)	(1,569,687)
Income tax		-	-
LOSS FOR THE PERIOD		(1,068,246)	(1,569,687)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		(935,201)	167,611
Tax effect		-	-
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS)		(935,201)	167,611
TOTAL COMPREHENSIVE INCOME/(LOSS)		(2,003,447)	(1,402,076)
Earnings per share			
		Cents	Cents
Basic loss per share		(0.2)	(0.3)
Diluted loss per share		(0.2)	(0.3)

Notes to the consolidated financial statements are attached.

**Consolidated statement of financial position
as at 31 December 2020**

	Note	Consolidated	
		Dec 2020	June 2020
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents		3,031,957	1,576,471
Trade and other receivables		254,672	206,799
Other current assets		48,286	87,682
TOTAL CURRENT ASSETS		3,334,915	1,870,952
NON-CURRENT ASSETS			
Exploration and evaluation assets	3	47,737,940	48,163,968
Other non-current assets		691,568	708,908
Property, plant and equipment	4	1,027,186	1,273,953
TOTAL NON-CURRENT ASSETS		49,456,694	50,146,829
TOTAL ASSETS		52,791,609	52,017,781
CURRENT LIABILITIES			
Trade and other payables		251,490	161,463
Provisions		202,775	236,010
TOTAL CURRENT LIABILITIES		454,265	397,473
NON-CURRENT LIABILITIES			
Provisions		114,000	114,000
TOTAL NON-CURRENT LIABILITIES		114,000	114,000
TOTAL LIABILITIES		568,265	511,473
NET ASSETS		52,223,344	51,506,308
EQUITY			
Contributed equity	6	102,284,970	99,753,504
Reserves		(5,861,951)	(5,115,767)
Accumulated losses		(44,199,675)	(43,131,429)
TOTAL EQUITY		52,223,344	51,506,308

Notes to the consolidated financial statements are attached.

**Consolidated statement of changes in equity
for the half-year ended 31 December 2020**

	Contributed Equity	Share Based Payments Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total
	\$	\$	\$	\$	\$
Consolidated					
Balance at 1 July 2019	99,753,504	686,706	(1,858,760)	(30,180,828)	68,400,622
Loss for the period	-	-	-	(1,569,687)	(1,569,687)
Other comprehensive income, net of tax	-	-	167,611	-	167,611
Total comprehensive income	-	-	167,611	(1,569,687)	(1,402,076)
Transactions with owners in their capacity as owners					
Share based payments	-	49,881	-	-	49,881
	-	49,881	-	-	49,881
Balance at 31 December 2019	99,753,504	736,587	(1,691,149)	(31,750,515)	67,048,427
Balance at 1 July 2020	99,753,504	736,587	(5,852,354)	(43,131,429)	51,506,308
Loss for the period	-	-	-	(1,068,246)	(1,068,246)
Other comprehensive income, net of tax	-	-	(935,201)	-	(935,201)
Total comprehensive income	-	-	(935,201)	(1,068,246)	(2,003,447)
Transactions with owners in their capacity as owners					
Share based payments	-	189,017	-	-	189,017
Shares issued, net of costs	2,531,466	-	-	-	2,531,466
	2,531,466	189,017	-	-	2,720,483
Balance at 31 December 2020	102,284,970	925,604	(6,787,555)	(44,199,675)	52,223,344

Notes to the consolidated financial statements are attached.

**Consolidated statement of cash flows
for the half-year ended 31 December 2020**

	Consolidated	
	Dec 2020	Dec 2019
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees (inclusive of GST and VAT)	(819,217)	(1,271,026)
Interest received	399	340
Other receipts	50,000	-
GST and VAT received	19,548	306,397
NET CASH USED IN OPERATING ACTIVITIES	(749,270)	(964,289)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for exploration and evaluation assets	(512,549)	(1,078,191)
Payment for property, plant and equipment	(38,972)	(151,196)
NET CASH USED IN INVESTING ACTIVITIES	(551,521)	(1,229,387)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	3,000,754	-
Share issue costs	(280,271)	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	2,720,483	-
Net (decrease)/increase in cash held	1,419,692	(2,193,676)
Cash at the beginning of the period	1,576,471	5,204,948
Effects of exchange rate changes on cash	35,794	(53,388)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	3,031,957	2,957,884

Notes to the consolidated financial statements are attached.

Notes to the consolidated financial statements for the half-year ended 31 December 2020

Note 1. Significant accounting policies

Introduction

Tlou Energy Limited (Tlou) is a company domiciled and incorporated in Australia. The Financial Report for the half-year ended 31 December 2020 consists of the Financial Statements of Tlou Energy Limited and the entities it controlled during the period ('Consolidated Entity').

Compliance with accounting standards

The half-year financial report is a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: Interim Financial Reporting.

The half-year financial report does not include all the notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report of the group.

Basis of preparation

The financial statements have been prepared on an accruals basis and are based on historical costs. The financial report is presented in Australian dollars.

The accounting policies and methods of computation applied by the Consolidated Entity in the consolidated interim financial report are the same as those applied by the Consolidated Entity in its consolidated financial report as at and for the year ended 30 June 2020, except as noted below.

New and revised standards

A number of new or amended standards became applicable for the current reporting period. The impact of the adoption of these standards did not have any impact on the group's accounting policies and did not require retrospective adjustments.

Going Concern

The consolidated financial statements have been prepared on a going concern basis which contemplates that the group will continue to meet its commitments and can therefore continue normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

Because of the nature of the operations, exploration companies, such as Tlou Energy Limited, find it necessary on a regular basis to raise additional cash funds to fund future exploration activity and meet other necessary corporate expenditure. At the date of this financial report, the ability of the group to execute its currently planned exploration and evaluation activities requires the group to raise additional capital within the next 12 months. Accordingly, the group is in the process of investigating various options for the raising of additional funds which may include but is not limited to an issue of shares or the sale of exploration assets where increased value has been created through previous exploration activity.

At the date of this financial report, none of the above fund raising options have been concluded and no guarantee can be given that a successful outcome will eventuate. The directors have concluded that as a result of the current circumstances there exists a material uncertainty that may cast significant doubt regarding the group's and the Company's ability to continue as a going concern and therefore the group and Company may be unable to realise their assets and discharge their liabilities in the normal course of business. Nevertheless, after taking into account the current status of the various funding options currently being investigated and making other enquiries regarding other sources of funding, the directors have a reasonable expectation that the group and the Company will have adequate resources to fund its future operational requirements and for these reasons they continue to adopt the going concern basis in preparing the financial report.

The interim financial report does not include adjustments relating to the recoverability or classification of recorded assets amounts nor to the amounts or classification of liabilities that might be necessary should the group not be able to continue as a going concern.

Notes to the consolidated financial statements for the half-year ended 31 December 2020 continued

Note 1 Significant accounting policies (continued)

Fair values

The fair values of Consolidated Entity's financial assets and financial liabilities approximate their carrying values. No financial assets or financial liabilities are readily traded on organised markets in standardised form.

Accounting estimates and judgements

Critical estimates and judgements are continually evaluated and are consistent with those disclosed in the previous annual report.

Exploration & evaluation assets

In a prior period the Consolidated Entity converted a prospecting licence into a mining licence. A mining licence allows the commencement of commercial development. Despite this management believe that it is not practical to commence amortisation of the exploration and evaluation assets held in relation to the mining licence as the Consolidated Entity has not yet entered into production of a commercially viable resource.

**Notes to the consolidated financial statements
for the half-year ended 31 December 2020 continued**

Note 2. Expenses

Loss before income tax includes the following specific expenses:	Dec 2020	Dec 2019
	\$	\$
Other expenses		
• Stock exchange and secretarial fees	135,919	140,801
• Engineers and consultants	196,764	20,760

Note 3. Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. Such expenditures comprise net direct costs and an appropriate portion of related overhead expenditure but do not include overheads or administration expenditure not having a specific nexus with a particular 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 which permits reasonable assessment of the existence of economically recoverable reserves and active or significant operations in relation to the area are continuing.

Accumulated costs in relation to an area no longer considered viable are written off in full in the year the decision is made. Regular reviews are undertaken on each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

	Dec 2020	June 2020
	\$	\$
Exploration and evaluation assets	47,737,940	48,163,968
	47,737,940	48,163,968
	Dec 2020	Dec 2019
	\$	\$
Movements in exploration and evaluation phase		
Balance at the beginning of period	48,163,968	60,896,127
Exploration and evaluation expenditure during the half-year	418,103	1,053,501
Foreign currency translation	(844,131)	166,383
Balance at the end of period	47,737,940	62,116,011

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phase is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

**Notes to the consolidated financial statements
for the half-year ended 31 December 2020 continued**

Note 4. Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding freehold land) over their expected useful lives as follows:

Plant and equipment	3-7 years
Leasehold property	25 Years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

	Dec 2020	June 2020
	\$	\$
Property, plant and equipment at cost	4,072,780	4,101,326
Accumulated depreciation	(3,045,594)	(2,827,373)
	1,027,186	1,273,953

Movements in Carrying Amounts

Movement in the carrying amount of property, plant and equipment between the beginning and the end of the current period:

	Dec 2020	Dec 2019
	\$	\$
Balance at the beginning of year	1,273,953	1,867,025
Additions	73,074	137,874
Depreciation	(286,999)	(311,775)
Foreign exchange movements	(32,842)	7,061
Carrying amount at the end of year	1,027,186	1,700,185

Note 5. Contingent liabilities

The Directors are not aware of any contingent liabilities at 31 December 2020.

Notes to the consolidated financial statements for the half-year ended 31 December 2020 continued

Note 6. Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the consolidated entity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

	Dec 2020 Shares	June 2020 Shares	Consolidated	
			Dec 2020 \$	June 2020 \$
Opening balance	450,180,185	450,180,185	99,753,504	99,753,504
Issue of ordinary shares during the year*	75,018,854	-	3,000,754	-
Share issue costs	-	-	(469,288)	-
Ordinary shares - fully paid	525,199,039	450,180,185	102,284,970	99,753,504

*Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of, and amounts paid on, the shares held. The fully paid ordinary shares have no par value. On a show of hands every member present at a meeting, in person or by proxy, shall have one vote and upon a poll, each share shall have one vote. The Company does not have authorised capital or par value in respect of its issued shares.

Options and performance rights

At 31 December 2020, the following options for ordinary shares in Tlou Energy Limited and performance rights were on issue.

Options

Issued to:	Exercise Price	Expiry Date	30/12/2020	31/12/2019
Shareholders	\$0.08	20 July 2022	37,509,400	-
Service providers	\$0.08	20 July 2022	20,000,000	-
			<u>57,509,400</u>	-

Performance shares

The following table shows the number, movements and exercise price of performance rights for the period ended 31 December 2020.

Issue Date	Hurdle Price	Conditions	1/07/2020	Issued	Exercised	Expired	31/12/2020
31 January 2017	\$0.28	See (i)	2,275,000	-	-	-	2,275,000
19 October 2018	\$0.165	See (ii)	2,475,000	-	-	-	2,475,000
19 October 2018	\$0.22	See (iii)	2,475,000	-	-	-	2,475,000
			<u>7,225,000</u>	-	-	-	<u>7,225,000</u>

The outstanding performance shares have the following key terms and conditions:

	Number	Performance condition
(i)	2,275,000	The shares will only vest once the share price of the Company's securities listed on the ASX reaches \$0.28 and closes at that price or above for a period of 10 consecutive trading days.
(ii)	2,475,000	The shares will only vest once the share price of the Company's securities listed on the ASX reaches \$0.165 and closes at that price or above for a period of 10 consecutive trading days.
(iii)	2,475,000	The shares will only vest once the share price of the Company's securities listed on the ASX reaches \$0.22 and closes at that price or above for a period of 10 consecutive trading days.
The Performance Shares will lapse if:		
<ul style="list-style-type: none"> None of the pricing conditions are met; or the participant does not meet the service conditions. 		

Notes to the consolidated financial statements for the half-year ended 31 December 2020 continued

Note 7. Share-based payments

Options may be granted on terms determined by the directors or otherwise approved by the company at a general meeting. The options are granted for no consideration. Options and entitlements to the options are vested on a time basis and/or for services provided or on specific performance-based criteria. Options granted as described above carry no dividend or voting rights. When exercisable, each option is convertible to one ordinary share.

During the half-year 20 million options were granted for the performance of services. The amount recognised for the period under the share-based payment reserve in relation to share based payments amounts to \$189,017. The fair value of options at grant date is determined using generally accepted valuation techniques that take into account exercise price, the term of the option, the impact of dilution, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield and the risk-free rate for the term of the option/performance right and an appropriate probability weighting to factor the likelihood of the satisfaction of non-vesting conditions.

Inputs used to calculate the value of options granted during the year are as follows:

Grant date	20/07/2020
Dividend yield (%)	-
Expected volatility (%)	81
Risk-free interest rate (%)	0.26
Expected life of options (years)	2
Exercise price (\$)	\$0.08
Model used	Black Scholes

Note 8. Segment information

Identification of reportable segments

Operating segments are identified on the basis of internal reports that are regularly reviewed by the executive team in order to allocate resources to the segment and assess its performance. The Company currently operates in one segment, being the exploration, evaluation and development of coalbed methane resources and power generation in southern Africa.

Segment revenue

As at 31 December 2020 no revenue has been derived from its operations (2019: \$nil).

Segment assets

Segment non-current assets are allocated to countries based on where the assets are located as outlined below.

	Dec 2020	June 2020
	\$	\$
Botswana	49,453,611	50,142,417
Australia	3,083	4,412
	<u>49,456,694</u>	<u>50,146,829</u>

Note 9. Events occurring after balance date

Other than the matters discussed in this report, there has not arisen in the interval between the end of the half-year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect significantly the operations of the group, the results of those operations or the state of affairs of the group in subsequent financial periods.

Directors' declaration

In the directors' opinion:

- (a) the attached financial statements and notes are in accordance with the *Corporations Act 2001* including:
- (i) the attached financial statements and notes thereto comply with the *Corporations Act 2001*, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
 - (ii) the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the financial half-year ended on that date; and
 - (iii) there are reasonable grounds to believe that the Company 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 303(5)(a) of the *Corporations Act 2001*.

On behalf of the directors


Anthony Gilby
Managing Director

Dated at Brisbane this 26th day of February 2021

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Tlou Energy Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Tlou Energy Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2020 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual 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 the same terms if given to the directors as at the time of this auditor's review report.

Material uncertainty relating to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

Responsibility of the directors for the financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BDO Audit Pty Ltd



T R Mann
Director

Brisbane, 26 February 2021