

Tlou Energy Limited

A.B.N. 79 136 739 967

Consolidated Financial Statements for the half-year ended 31 December 2022

Corporate Directory

ABN	79 136 739 967
Directors	Martin McIver Anthony Gilby Gabaake Gabaake Colm Cloonan Hugh Swire
Company Secretary	Solomon Rowland
Administration & Registered Office	210 Alice Street Brisbane QLD 4000 Australia
Telephone:	+61 7 3040 9084
Auditors	BDO Audit Pty Ltd Level 10 12 Creek Street Brisbane QLD 4000
Bankers	Westpac Banking Corporation GPO Box 3433 Sydney NSW 2001
Share register	Australian Securities Exchange Ltd (ASX Code: TOU) AIM Stock Exchange UK (AIM Code: TLOU) Botswana Stock Exchange (BSE Code: TLOU)

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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' or the 'Group') consisting of Tlou Energy Limited (referred to hereafter as the 'Company' or "Tlou") and the entities it controlled at 31 December 2022.

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 McIver	Non-Executive Chairman
Anthony Gilby	Managing Director & Chief Executive Officer
Gabaake Gabaake	Executive Director
Colm Cloonan	Finance Director
Hugh Swire	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 power solutions in Sub-Saharan Africa through Coalbed Methane (CBM) gas-fired power, solar power, and hydrogen projects. No revenue from these activities 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 \$2,245,259 (December 2021 loss \$1,271,339). Information on operations and results during the period are set out below.

Lesedi Project

The Lesedi Project consists of four Prospecting Licences (PL) and a Production Licence. The first stage of development is a 10MW power generation facility which will be located in the Company's Production Licence area.

The status of the Lesedi licences is as follows:

Licence	Expiry	Status
Production Licence 2017/18L	August 2042	Current
PL 001/2004	September 2023	Current
PL 003/2004	September 2023	Current
PL 035/2000	March 2025	Current
PL 037/2000	March 2025	Current

Lesedi Gas-to-Power project

The Company is working on bringing the Lesedi 10MW gas to power project into production as quickly as possible and, subject to available funding, Tlou plans to rapidly expand to 25MW and beyond. The first electricity generated at the Lesedi project will be sold under a 10MW Power Purchase Agreement (PPA) with Botswana Power Corporation (BPC), the national power utility in Botswana. Once in full production 10MW of generation could provide annual revenue equivalent to approximately US\$10m. The project is moving towards development with the construction of transmission lines, substations as well as the field operations facility and generation site.

Transmission Line Construction

To connect to Botswana's power network, a 100 km transmission line is being built from the Lesedi project to join the grid near the town of Serowe. Construction is being done by Zismo Engineering Pty Ltd (Zismo) with progress at the end of February 2023 of approximately 50%. The line is expected to be completed around 3Q23.

Substation Construction

Substations are required at either end of the transmission line, one to tie Tlou's generators to the transmission line at Lesedi and another to integrate the line with the existing BPC substation at Serowe. This work will be completed by South African based OptiPower, a division of Murray & Roberts Ltd. This work is expected to be completed around late 2023 or early 2024.

Lesedi Operations Facility

Work is continuing on a purpose-built operations facility for the initial 10MW development and to allow for rapid project expansion thereafter. This project is being undertaken by Tlou through its consultant contractor African Gas Services (AGS) and it is expected to be completed during 2023. AGS is also undertaking the management and construction of the power plant and gas gathering network.

Directors' report continued

Drilling and Gas production

The Lesedi 4 production pod continues to produce gas. A key focus in the coming year is to drill more production wells for the 10MW project. Methane production of approximately 220-250 mcf/d (thousand cubic feet per day) is expected to be required for 1MW of power generation. Work has commenced in preparation for the Company's next production pod, Lesedi 6, with drilling expected to commence in March 2023. This includes drilling of a core-hole to assess coal depth followed by the vertical production well and two lateral wells. Once drilling is complete, the pod will be flushed and then commence dewatering and gas production. Thereafter, drilling of more production pods is planned.

Mamba Project

The Mamba project consists of five PL's covering an area of approximately 4,500 Km². The Mamba area is situated adjacent to Lesedi. In the event of a gas field development by Tlou, the Mamba area provides the Company with flexibility and optionality.

The Mamba project is in the exploration and evaluation phase with further operations required on these licences. The next stage of operations will be core-hole drilling to assess coal qualities in different areas. In the event of successful drilling results at Mamba, it is envisioned that this area would be developed as a separate project from Lesedi.

The status of the Mamba licences is as follows:

Licence	Expiry	Status
PL 237/2014	September 2023	Current
PL 238/2014	September 2023	Current
PL 239/2014	September 2023	Current
PL 240/2014	September 2023	Current
PL 241/2014	September 2023	Current

Boomslang Project

Prospecting Licence, PL011/2019 is approximately 1,000 Km² and is situated adjacent to the Company's existing licences. To date, the Company has not carried out ground operations in the Boomslang area, but core-hole drilling is being planned to assess coal qualities in the permit area.

The status of the Boomslang licence is as follows:

Licence	Expiry	Status
PL 011/2019	June 2024	Current

Significant changes in the state of affairs

During the half-year ended 31 December 2022, 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

In January 2023, the Company issued 87,653,278 ordinary shares at \$0.035 per share. The total issue share capital following issue of these shares is 830,715,710. 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 has drilled development wells in the Lesedi project area which have produced CBM gas. These wells were designed to achieve enhanced gas flow rates in the area proposed for the Company's initial project development. The gas flow rates from these wells are vitally important to assess the viability of the Lesedi project and the Company is yet to confirm commercial gas flow rates and there is no guarantee that the required rates can or will be achieved. In addition, further wells flowing commercial gas volumes will be required to produce sufficient gas for the planned Lesedi project.

The Company is advancing plans to develop ancillary projects in addition to the gas-fired power project. These projects may be subject to regulatory approvals. No guarantee can be given in relation to the results of the Company's operations, gas flow rates, regulatory approvals being granted or the ability to secure the funds required to progress all or any of the Company's existing or planned operations.

The Company is subject to risks which may have a material adverse effect on operating and financial performance. Tlou's Risk Management Policy can be found on the Company's website. It is not possible to identify every risk that could affect the business or shareholders. Any actions taken to mitigate these risks cannot provide complete assurance that a risk will not materialise or have a material adverse effect on the business, strategies, assets or performance of the Company. A list of risks currently considered material and mitigation strategies are set out below. This is not an exhaustive list and risks are outlined in no particular order.

Directors' report continued

Risk	Description	Mitigation
Funding	<p>The Company will need to raise additional debt and/or equity funds to support its ongoing operations or implement its planned activities and strategies. This includes but is not limited to funding to complete the infrastructure necessary to connect to the power grid and generate electricity at the Lesedi project and funds to facilitate drilling of additional gas wells to deliver sufficient gas for development of the proposed 10MW power project. There can be no assurance that such funding will be available when required or on satisfactory terms or at all. Inability to find sufficient funds may result in the delay or abandonment of certain activities which would likely have an adverse on the Company's progress.</p>	<p>The Company has operated in Botswana for over a decade with extensive local and international investor relationships who have supported the Company.</p> <p>The Company actively manages its capital requirements and maintains close relationships with potential investors. The Company continues to explore sources of both equity and debt capital.</p> <p>The Company has some investors who have provided non-binding indications that they could provide long term support of the Company.</p>
Health and Safety	<p>The project operations are in a remote location, in a sometimes-harsh environment and involves the use of heavy machinery and equipment.</p>	<p>The Company employs highly skilled and experienced personnel where possible. The Chief Operations Officer is supported by a dedicated Safety, Health and Environment (SHE) officer and a paramedic is also on duty at all times at the field operations. The Company has a training and safety management system and external audits of the safety management system are conducted. All visitors to site are given a safety briefing.</p>
Freedom to Operate	<p>The Company has licences to operate over approximately 8,000 square km and has had continued access to key licence areas when required. Negative sentiment towards the project or industry may impair Tlou's freedom to operate. Changes to key Government personnel and/or national policy could also impact the Company's ability to operate effectively.</p>	<p>The Company continues to support regular and extensive Government engagement activities to interest and educate lawmakers to the country's natural resource opportunities as well as keep up to date with changing national power strategies and requirements.</p> <p>Tlou supports and interacts with a wide network of local stakeholders including farmers and landowners to try and ensure that the needs of the community are being met and that the project can provide benefits for all stakeholders including providing long term and sustainable employment opportunities.</p>
Environment	<p>Botswana's natural habitat, water and wildlife needs to be protected. Botswana rigorously enforces its environmental regulations so the risk of fines or other liabilities for noncompliance is commensurately high.</p>	<p>Tlou has full environmental approval in place for development of the gas-to-power project. The Company aims to not just meet environmental requirements but exceed them.</p> <p>The Company uses local specialists to support its ongoing permit renewals, environmental assessments and licence applications. Continual monitoring of actual and potential impacts on the environment is practiced to try and ensure that any impact on the natural habitat is eliminated or minimised.</p>


Directors' report continued

<p>Power Sales</p>	<p>The Company has signed a 10MW Power Purchase Agreement (PPA) with Botswana Power Corporation (BPC) with the aim for first power to be supplied into the national grid in late 2023 or early 2024. There is a risk completion that the grid connection infrastructure could be delayed thereby postponing first power sales. No other agreements are currently in place for sale of power or gas to other parties.</p>	<p>The Company works closely with its contractors and engineers to progress infrastructure projects in a timely manner.</p> <p>Management continues to explore opportunities with other potential customers across the region, potentially via the Southern African Power Pool or within Botswana. The power market in South Africa is experiencing some difficulties which may lead to opportunities to provide power.</p> <p>The Company also aims to diversify its operations to provide ancillary products such as solar power.</p>
<p>Geological Risk</p>	<p>The Company has approximately 8,000 square km of licence areas part of which has not had significant CBM operations to date. There remains significant geological risk in these areas and subject to operational results these areas may not be commercial.</p>	<p>Tlou has invested in seismic surveys and core hole drilling to identify areas of lower risk prior to conducting further exploration and evaluation. This strategy is planned for undeveloped areas of the project. After a decade of operating in the region and supported by external resource certifications, the operations team have and continue to develop an excellent knowledge of the geological area to help de-risk future exploration and evaluation operations.</p>
<p>Remote Operations</p>	<p>The Company operates over 100km from established medical and engineering support facilities in the closest urban area which increases costs and risks as well as requiring adequate insurance.</p>	<p>The Company has on-site paramedic support and has invested in its own stock of equipment so that it can ideally operate as autonomously as possible over a greater range of activities.</p> <p>A purpose-built field operations camp is under construction which will be suitable for full development of the initial 10MW project and for further expansion.</p>
<p>People</p>	<p>The Company may lose key executives and management. The Company operates in a competitive environment in relation to talented corporate and technical personnel.</p>	<p>The Company continues to search for skilled staff to grow the team to satisfy the Company's needs and ideally to have a lead person and back-up support person for all key positions. In addition, implementation of appropriate staff training and succession plans is a key target. The Company offers incentives and development opportunities for key executives and management to attract the best talent to the Company.</p>

Auditor's Independence Declaration

The auditor's independence declaration for the half-year ended 31 December 2022 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
 9 March 2023

Auditor's independence declaration



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DECLARATION OF INDEPENDENCE BY R J LIDDELL TO THE DIRECTORS OF TLOU ENERGY LIMITED

As lead auditor for the review of Tlou Energy Limited for the half-year ended 31 December 2022, 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 'R J Liddell', is written over a light blue horizontal line.

R J Liddell
Director

BDO Audit Pty Ltd

Brisbane, 9 March 2023

**Consolidated statement of comprehensive income
for the half-year ended 31 December 2022**

	Note	Consolidated	
		Dec 2022	Dec 2021
		\$	\$
Interest income		6,351	9
Expenses			
Employee benefits expense		(564,644)	(320,901)
Depreciation expense		(147,104)	(279,106)
Foreign exchange gain		189,605	45,654
Interest expense		(296,013)	-
Share based payment expense		(76,369)	(14,670)
Professional fees		(271,658)	(107,675)
Occupancy costs		(6,746)	(9,000)
Other expenses	2	(1,032,014)	(585,650)
Fair value loss on financial instruments		(46,667)	-
LOSS BEFORE TAX		(2,245,259)	(1,271,339)
Income tax		-	-
LOSS FOR THE PERIOD		(2,245,259)	(1,271,339)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		(1,009,425)	(1,665,137)
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS)		(1,009,425)	(1,665,137)
TOTAL COMPREHENSIVE INCOME/(LOSS)		(3,254,684)	(2,936,476)
Earnings per share			
		Cents	Cents
Basic loss per share		(0.3)	(0.2)
Diluted loss per share		(0.3)	(0.2)

Notes to the consolidated financial statements are attached.

Consolidated statement of financial position as at 31 December 2022

	Note	Consolidated	
		Dec 2022	June 2022
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents		6,154,779	7,875,025
Trade and other receivables		427,322	424,220
Other current assets	3	1,082,016	178,887
TOTAL CURRENT ASSETS		7,664,117	8,478,132
NON-CURRENT ASSETS			
Exploration and evaluation assets	4	49,740,884	49,232,167
Other non-current assets		587,016	602,112
Property, plant and equipment		288,029	366,492
Contract costs	5	3,526,329	948,446
TOTAL NON-CURRENT ASSETS		54,142,258	51,149,217
TOTAL ASSETS		61,806,375	59,627,349
CURRENT LIABILITIES			
Trade and other payables		1,226,537	563,599
Derivatives		12,184	696,153
Lease liabilities		14,872	13,792
Provisions		339,694	319,903
TOTAL CURRENT LIABILITIES		1,593,287	1,593,447
NON-CURRENT LIABILITIES			
Convertible notes	6	7,633,374	7,263,643
Derivatives		64,237	67,600
Lease liabilities		47,163	56,530
Provisions		113,000	113,000
TOTAL NON-CURRENT LIABILITIES		7,857,774	7,500,773
TOTAL LIABILITIES		9,451,061	9,094,220
NET ASSETS		52,355,314	50,533,129
EQUITY			
Contributed equity	7	111,764,427	106,763,927
Reserves		(7,838,089)	(6,716,016)
Accumulated losses		(51,571,024)	(49,514,782)
TOTAL EQUITY		52,355,314	50,533,129

Notes to the consolidated financial statements are attached.

**Consolidated statement of changes in equity
for the half-year ended 31 December 2022**

	Contributed Equity	Share Based Payments Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total
	\$	\$	\$	\$	\$
Consolidated					
Balance at 1 July 2021	106,763,927	925,604	(6,155,951)	(45,185,666)	56,347,914
Loss for the period	-	-	-	(1,271,339)	(1,271,339)
Other comprehensive income, net of tax	-	-	(1,665,137)	-	(1,665,137)
Total comprehensive income	-	-	(1,665,137)	(1,271,339)	(2,936,476)
Transactions with owners in their capacity as owners					
Share based payments	-	14,670	-	-	14,670
	-	14,670	-	-	14,670
Balance at 31 December 2021	106,763,927	940,274	(7,821,088)	(46,457,005)	53,426,108
Balance at 1 July 2022	106,763,927	1,157,804	(7,873,820)	(49,514,782)	50,533,129
Loss for the period	-	-	-	(2,245,259)	(2,245,259)
Other comprehensive income, net of tax	-	-	(1,009,425)	-	(1,009,425)
Total comprehensive income	-	-	(1,009,425)	(2,245,259)	(3,254,684)
Transactions with owners in their capacity as owners					
Share based payments	-	76,369	-	-	76,369
Transfers - Options expired	-	(189,017)	-	189,017	-
Shares issued, net of costs	5,000,500	-	-	-	5,000,500
	5,000,500	(112,648)	-	189,017	5,076,869
Balance at 31 December 2022	111,764,427	1,045,156	(8,883,245)	(51,571,024)	52,355,314

Notes to the consolidated financial statements are attached.

**Consolidated statement of cash flows
for the half-year ended 31 December 2022**

	Note	Consolidated	
		Dec 2022	Dec 2021
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees (inclusive of GST and VAT)		(1,977,025)	(1,049,650)
Interest received		6,351	9
GST and VAT received		165,550	21,891
NET CASH USED IN OPERATING ACTIVITIES		(1,805,124)	(1,027,750)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for exploration and evaluation assets		(1,908,226)	(959,344)
Payment for contract assets		(2,648,787)	-
Payments and deposits for property, plant and equipment		(573,151)	(49,771)
NET CASH USED IN INVESTING ACTIVITIES		(5,130,164)	(1,009,115)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	5	5,000,500	-
Payments of lease liabilities		(10,757)	(11,319)
NET CASH PROVIDED BY FINANCING ACTIVITIES		4,989,743	(11,319)
Net (decrease)/increase in cash held		(1,945,545)	(2,048,184)
Cash at the beginning of the period		7,875,025	6,385,384
Effects of exchange rate changes on cash		225,299	(50,799)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		6,154,779	4,286,401

Notes to the consolidated financial statements are attached.

Notes to the consolidated financial statements for the half-year ended 31 December 2022

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 2022 consists of the Financial Statements of Tlou Energy Limited and the entities it controlled during the period ('Consolidated Entity' or the 'Group').

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 for the year ended 30 June 2022 and any public announcements made by Tlou during the interim reporting period in accordance with the continuous disclosure requirements of the Corporation Act 2001.

Basis of preparation

The financial statements have been prepared on an accruals basis and are based on historical costs except for derivative financial instruments which are measured at fair value through profit and loss. 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 2022, 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 consolidated entity 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 or pre-development companies, such as Tlou Energy Limited, find it necessary on a regular basis to raise additional cash funds for future exploration and development activity and meet other necessary corporate expenditure. The Company has recently completed an equity capital raising but will require additional funding for ongoing operations and working capital requirements for the next 12 months. Subject to the results of these operations the consolidated entity may also need to raise additional capital to expand and develop the project further. Accordingly, the consolidated entity is in the process of investigating various options for the raising of 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 consolidated entity's and the Company's ability to continue as a going concern and therefore the consolidated entity 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 consolidated entity 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 2022 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. Management has not commenced 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 2022 continued

Note 2. Expenses

Loss before income tax includes the following specific expenses:

	Dec 2022	Dec 2021
	\$	\$
Other expenses		
• Stock exchange and secretarial fees	197,608	140,890
• Engineers and consultants	190,204	210,491
• Investor relations	320,463	136,327
• Legal fees	128,689	13,044

Note 3. Other current assets

	Dec 2022	June 2022
	\$	\$
Deposits for purchase of land	317,394	81,389
Prepayments for material and equipment for new field operations facility	452,768	-
Other prepayments	311,854	97,498
	1,082,016	178,887

Note 4. Exploration and evaluation expenditure

	Dec 2022	June 2022
	\$	\$
Exploration and evaluation assets	49,740,884	49,232,167
	49,740,884	49,232,167
Movements in exploration and evaluation assets		
Balance at the beginning of period	49,232,167	48,855,466
Exploration and evaluation expenditure during the year	1,403,354	1,926,164
Impairment expense	-	(166,054)
Foreign currency translation	(894,637)	(1,383,409)
Balance at the end of period	49,740,884	49,232,167

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 2022 continued**

Note 5. Contract costs

	Consolidated	
	Dec 2022	June 2022
	\$	\$
Contract costs - transmission line		
Opening balance	948,446	-
Additions	2,577,883	948,446
Closing balance	<u>3,526,329</u>	<u>948,446</u>

The Company has contract with a third party for the construction of a transmission line from the Company's Lesedi Power Project to the town of Serowe in Botswana. The expected cost of this contract is approximately BWP 60m (~\$7m). Of this expected total, \$3,562,329 has been capitalised at 31 December 2022.

Once the transmission line and associated infrastructure is completed and approval is granted by the relevant authority in Botswana, the transmission line will be connected to the existing power grid in Botswana. Under current legislation, on connection to the existing grid all ownership, rights and responsibilities for the transmission line and associated infrastructure will transfer to Botswana Power Corporation, the national power utility in Botswana and current owner of the existing power grid.

Note 6. Convertible notes

The parent entity issued convertible notes totalling US\$5,000,000 on 24 January 2022. The notes are convertible into ordinary shares of the parent entity, at the option of the holder at the higher of:

- (a) A 10% discount to the weighted average traded price of the Company's shares on the ASX over the 90 days prior to the Conversion Date; and
- (b) A\$0.06

The notes incur interest at 7.75% and the Company may capitalise interest for the first 18 months, thereafter, interest must be paid at each six-month anniversary of issue date. The notes expire on 24 January 2027, being 5 years after issue.

	Consolidated	
	Dec 2022	June 2022
	\$	\$
Opening Balance/Host liability on initial recognition	7,263,643	6,794,845
Interest expense	296,013	241,917
Interest paid	-	-
Effect of foreign exchange movement	73,718	226,881
Non-current host liability	<u>7,633,374</u>	<u>7,263,643</u>
Total Borrowings	<u>7,633,374</u>	<u>7,263,643</u>

Notes to the consolidated financial statements for the half-year ended 31 December 2022 continued

Note 7. Contributed equity

	Dec 2022 Shares	June 2022 Shares	Dec 2022 \$	June 2022 \$
Opening balance	600,199,039	600,199,039	106,763,927	106,763,927
Issue of ordinary shares during the half-year*	142,863,393	-	5,000,500	-
Ordinary shares - fully paid	743,062,432	600,199,039	111,764,427	106,763,927

*Ordinary shares issued during the half-year

	Issue Date	No. of Shares	Issue Price (AUD)
Exercise of Options	18-Jul-22	6,250	\$0.08
Placement	9-Nov-22	57,142,857	\$0.035
Placement	16-Nov-22	85,714,286	\$0.035

Options

At 31 December 2022, there were no options for ordinary shares in Tlou Energy Limited on issue.

Performance rights

The following table shows the number, movements and exercise price of performance rights for the period ended 31 December 2022.

Date of Approval	Exercise Price	1/07/2022	Issued	Exercised	Expired	31/12/2022
10 November 2016	\$0.28	2,275,000	-	-	-	2,275,000
17 October 2018	\$0.165	2,225,000	-	-	-	2,225,000
17 October 2018	\$0.22	2,225,000	-	-	-	2,225,000
24 November 2021	\$0.10	3,000,000	-	-	-	3,000,000
24 November 2021	\$0.165	3,000,000	-	-	-	3,000,000
		12,725,000	-	-	-	12,725,000

Note 8. Contingent liabilities

The Directors are not aware of any contingent liabilities at 31 December 2022.

Notes to the consolidated financial statements for the half-year ended 31 December 2021 continued

Note 9. 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 2022 no revenue has been derived from its operations (2021: \$nil).

Segment assets

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

	Dec 2022	June 2022
	\$	\$
Botswana	54,104,622	51,147,251
Australia	37,636	1,966
	<u>54,142,258</u>	<u>51,149,217</u>

Note 10. Commitments

Exploration expenditure:

To maintain an interest in the exploration tenements in which it is involved, the consolidated entity is required to meet certain conditions imposed by the various statutory authorities granting the exploration tenements or that are imposed by the joint venture agreements entered into by the consolidated entity. These conditions can include proposed expenditure commitments. The timing and amount of exploration expenditure obligations of the consolidated entity may vary significantly from the forecast based on the results of the work performed, which will determine the prospectivity of the relevant area of interest. Subject to renewal of all prospecting licences, the consolidated entity's proposed expenditure obligations which are not provided for in the financial statements are as follows:

	Consolidated	
	Dec 2022	June 2022
	\$	\$
Minimum expenditure requirements		
• not later than 12 months	153,032	451,575
• between 12 months and 5 years	549,415	165,103
	<u>702,447</u>	<u>616,678</u>

Contract Assets:

The consolidated entity has agreed contracts to construct a transmission line for approximately BWP 60m (~\$7m) and substations for approximately BWP 42m (~\$4.8m). In relation to the transmission line 3,526,329 has been capitalised at 31 December 2022 (\$948,446 at 30 June 2022). No costs had been incurred in relation to the substation contract at the reporting date.

Note 11. Events occurring after reporting date

In January 2023, the Company issued 87,653,278 ordinary shares at \$0.035 per share. The total issue share capital following issue of these shares is 830,715,710. 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 2022 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 9th day of March 2023

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 2022, 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 2022 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 Group's financial position as at 31 December 2022 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



R J Liddell
Director

Brisbane, 9 March 2023