Tlou Energy Limited

A.B.N. 79 136 739 967

Consolidated Financial Statements
for the half-year ended 31 December 2023

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)

Contents

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 2023.

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 explore and evaluate power solutions in Sub-Saharan Africa through Coalbed Methane (CBM) gas-fired power. 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 $1,821,374 (December 2022 loss $2,245,259). 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	TBA	Awaiting renewal
PL 003/2004	TBA	Awaiting renewal
PL 035/2000	March 2025	Current
PL 037/2000	March 2025	Current

PL renewal applications are submitted three months prior to expiration. Renewal applications were submitted for PL001/2004 and PL003/2004 in June 2023. The Company has been informed that following a processing delay at the relevant department the renewed licences are expected to be issued in March 2024.

Lesedi Gas-to-Power project

The Lesedi project is Tlou's most advanced. At Lesedi the Company is developing a proposed 10MW gas-to-power project. The first electricity to be generated at Lesedi is planned to go towards satisfying the 10MW Power Purchase Agreement (PPA) with Botswana Power Corporation (BPC), the national power utility. The Lesedi project has several components of the development process either completed or ongoing including the construction of transmission lines, substations, a field operations facility and generation site as well as production wells.

Transmission Line Construction

The Lesedi project was approximately 100km from the nearest BPC substation connection in Serowe. To connect to the national grid, the Company had to construct a 100km 66kV transmission line. This, together with associated infrastructure and gas production wells should enable the Company to connect and provide electricity into Botswana's power network. Construction of the 66kV transmission line has been completed by the contractor Zismo Engineering Pty Ltd (Zismo). Minor finishing works and the addition of switchgear at the Serowe substation will be done prior to the line being energised. The line is planned to remain under care and maintenance until energisation, which is expected around mid-2024.

Substation Construction

In addition to the transmission line, an electrical substation is required at the Lesedi end of the transmission line whereas at the opposite end the line has been connected to the existing BPC substation at Serowe. The substation at Lesedi was initially designed for the first 5MW of power, however during the half year the Company changed the design to facilitate expansion beyond 10MW. This will be beneficial as the projects grows. The connection at Serowe is complete and the Lesedi substation is approximately 38% complete. It is currently anticipated that the work will be completed around mid-2024.

Directors' report continued

Future gas production

The Company has two gas production pods, Lesedi 4 and Lesedi 6 currently flaring gas. During the reporting period, the Company completed a redrill of both lateral wells of the Lesedi 4 production pod. The aim of redrilling the lateral wells was to provide straighter lateral sections using a specialist rotary steerable system (RSS). The lateral sections were drilled for approximately 700m and successfully intersected with the Lesedi 4P vertical production well. These straighter laterals are expected to assist with removing water from the reservoir to more efficiently dewater and flow gas. Also during the period a new production pod, Lesedi 6, was completed. The RSS was also used for the lateral sections of this production pod. Post drilling, both Lesedi 4 and Lesedi 6 pods had production equipment installed to commence dewatering ahead of gas production.

Lesedi 6 experienced a rapid increase in casing pressure in both lateral wells with first gas production to surface occurring soon thereafter. The rapid build-up of casing pressure and production of first gas to surface in a relatively short time was very encouraging. This was the fastest gas to surface in the Lesedi field to date.

Lesedi 4 and Lesedi 6 continue to flow gas as the water level is being gradually lowered to just above the coal. Once the wells stabilise and stop surging (gas and water), gas flow rates will be measured. Tlou is confident that with the in-house knowledge gained from previous drilling efforts, extracting more and more gas out of the coal reservoir will become progressively simpler and more cost effective due to economies of scale.

Mamba Project

The Mamba project is in the exploration and evaluation phase with further operations required on the licences. It consists of five Prospecting Licences covering an area of approximately 4,500 Km2. The Mamba area is situated adjacent to Lesedi. 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 Mamba area provides the Company with flexibility and optionality. The status of the Mamba licences is as follows:

Licence	Expiry	Status
PL 237/2014	December 2025	Current
PL 238/2014	December 2025	Current
PL 239/2014	December 2025	Current
PL 240/2014	December 2025	Current
PL 241/2014	TBA	Awaiting renewal

PL renewal applications are submitted three months prior to expiration. A renewal application for PL 241/2014 was submitted in June 2023. The Company has been informed that following a processing delay at the relevant department the renewed licence is expected to be issued in March 2024. Further work on the Mamba project is proposed once the Lesedi project is in production. The next stage of operations is likely to include a seismic survey and the drilling of core-holes.

Boomslang Project

Prospecting Licence, PL011/2019 designated “Boomslang”, 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. Like the Mamba project the first stage of operations is likely to include a seismic survey following by core-hole drilling. The status of the Boomslang licence is as follows:

Licence	Expiry	Status
PL 011/2019	June 2024	Current

PL renewal applications are submitted three months prior to expiration.

Significant changes in the state of affairs

During the half-year ended 31 December 2023, 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 February 2024, the Company issued 32,554,360 ordinary shares at $0.035 per share, raising $1,139,403. The total number of issued shares following this capital raising is 1,076,536,717. Also, on 31 January 2024, 2,275,000 performance rights lapsed.

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' report continued

Likely developments and expected results of operations

The Company has drilled two wells in the Lesedi project area which have produced CBM gas. These wells are planned to be the first two gas producing wells that will be used to generate power at the Lesedi project. 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.

Risk	Description	Mitigation
Funding	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 effect on the Company's progress.	The Company has operated in Botswana for over a decade with extensive local and international relationships with investors who have supported the Company. 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.
Health and Safety	The project operations are in a remote location, in a sometimes-harsh environment and involves the use of heavy machinery and equipment.	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.

Directors' report continued

Freedom to Operate	The Company has licences to operate over 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 ability to operate effectively.	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. 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.
Environment	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.	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. 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.
Climate	Climate change initiatives could have an impact on Tlou's operations in the future. Climate initiatives could have a material impact on fossil fuel projects such as Tlou's Lesedi gas-to power project.	Tlou's Lesedi gas-to-power project aims to be part of a power market in sub-Saharan Africa that will move away from carbon intensive coal and diesel fired power generation. While also a fossil fuel, gas is viewed as a transitional fuel that can assist with providing base load power until such time that sustainable and/or renewable power sources can provide reliable 24-hour base load power. The Company is aware that it may need to adapt its process to meet future climate needs and will continue to assess new information as it becomes available.
Power Sales	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 2024. There is a risk 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.	The Company works closely with its contractors and engineers to progress infrastructure projects in a timely manner. Management continues to explore opportunities with other potential customers across the region, potentially via the Southern African Power Pool or within Botswana. The Company also aims to diversify its products including potentially producing solar power, hydrogen, carbon black/graphite and crypto currencies.

Directors' report continued

Geological Risk	The Company has over 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.	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.
Remote Operations	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.	The Company has on-site paramedic support and has invested in its own stock of equipment so that it can operate as autonomously as possible over a greater range of activities. A purpose-built field operations camp is close to completion and will be suitable for development of the 10MW project and for further expansion.
People	The Company may lose key executives and management. The Company operates in a competitive environment in relation to talented corporate and technical personnel.	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.

Auditor's Independence Declaration
The auditor's independence declaration for the half-year ended 31 December 2023 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
8 March 2024

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 2023, 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.

R J Liddell
Director

BDO Audit Pty Ltd

Brisbane, 8 March 2024

Consolidated statement of comprehensive income
for the half-year ended 31 December 2023

	Note	Consolidated Dec 2023 $	Dec 2022 $
Interest income		**11,383**	6,351
Foreign exchange gain		**207,437**	189,605
Expenses			
Employee benefits expense		**(640,430)**	(564,644)
Depreciation expense		**(56,351)**	(147,104)
Interest expense		**(484,393)**	(296,013)
Share based payment expense		**(28,751)**	(76,369)
Professional fees		**(144,539)**	(271,658)
Occupancy costs		**(7,800)**	(6,746)
Other expenses	2	**(676,181)**	(1,032,014)
Fair value gain/(loss) on financial instruments		**(1,749)**	(46,667)
LOSS BEFORE INCOME TAX		**(1,821,374)**	(2,245,259)
Income tax		**-**	-
LOSS FOR THE PERIOD		**(1,821,374)**	(2,245,259)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**(1,877,010)**	(1,009,425)
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS)		**(1,877,010)**	(1,009,425)
TOTAL COMPREHENSIVE INCOME/(LOSS)		**(3,698,384)**	(3,254,684)

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 2023

	Note	Dec 2023	June 2023
		$	**$**
CURRENT ASSETS			
Cash and cash equivalents		**729,731**	6,848,717
Trade and other receivables	3	**1,089,187**	1,311,444
Other current assets	4	**337,406**	1,140,791
TOTAL CURRENT ASSETS		**2,156,324**	9,300,952
NON-CURRENT ASSETS			
Exploration and evaluation assets	5	**66,405,934**	60,442,961
Other non-current assets		**516,164**	483,775
Property, plant and equipment		**2,204,532**	1,399,531
TOTAL NON-CURRENT ASSETS		**69,126,630**	62,326,267
TOTAL ASSETS		**71,282,954**	71,627,219
CURRENT LIABILITIES			
Trade and other payables		**1,863,317**	2,405,713
Lease liabilities		**17,172**	15,968
Provisions		**468,297**	417,158
TOTAL CURRENT LIABILITIES		**2,348,786**	2,838,839
NON-CURRENT LIABILITIES			
Convertible notes	6	**11,989,824**	8,086,011
Long term loan	7	**-**	2,000,000
Derivatives		**123,754**	122,005
Lease liabilities		**27,832**	37,797
Provisions		**134,000**	134,000
TOTAL NON-CURRENT LIABILITIES		**12,275,410**	10,379,813
TOTAL LIABILITIES		**14,624,196**	13,218,652
NET ASSETS		**56,658,758**	58,408,567
EQUITY			
Contributed equity	8	**122,124,218**	121,509,325
Reserves		**(9,888,096)**	(9,344,768)
Accumulated losses		**(55,577,364)**	(53,755,990)
TOTAL EQUITY		**56,658,758**	58,408,567

Notes to the consolidated financial statements are attached.

Consolidated statement of changes in equity for the half-year ended 31 December 2023

	Contributed Equity	Share Based Payments Reserve	Foreign Currency Translation Reserve	Convertible Equity Reserve	Accumulated Losses	Total
	$	$	$		$	$
Consolidated						
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 exercised		(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
Balance at 1 July 2023	**121,509,325**	**1,257,455**	**(10,602,223)**	**-**	**(53,755,990)**	**58,408,567**
Loss for the period	**-**	**-**	**-**	**-**	**(1,821,374)**	**(1,821,374)**
Other comprehensive income, net of tax	**-**	**-**	**(1,877,010)**	**-**	**-**	**(1,877,010)**
Total comprehensive income	**-**	**-**	**(1,877,010)**	**-**	**(1,821,374)**	**(3,698,384)**
Transactions with owners in their capacity as owners						
Share based payments	**-**	**28,751**	**-**		**-**	**28,751**
Conversion feature of the convertible loans – note 6	**-**	**-**	**-**	**1,304,931**		**1,304,931**
Shares issued, net of costs	**614,893**	**-**	**-**		**-**	**614,893**
	614,893	**28,751**	**-**	**1,304,931**	**-**	**1,948,575**
Balance at 31 December 2023	**122,124,218**	**1,286,206**	**(12,479,233)**	**1,304,931**	**(55,577,364)**	**56,658,758**

Notes to the consolidated financial statements are attached.

Consolidated statement of cash flows
for the half-year ended 31 December 2023

	Note	Dec 2023 $	Dec 2022 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees (inclusive of GST and VAT)		**(1,514,733)**	(1,977,025)
Interest received		**11,383**	6,351
GST and VAT received		**134,212**	165,550
NET CASH USED IN OPERATING ACTIVITIES		**(1,369,138)**	(1,805,124)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for exploration and evaluation assets		**(8,102,594)**	(4,557,013)
Payment for property, plant and equipment		**(126,548)**	(573,151)
NET CASH USED IN INVESTING ACTIVITIES		**(8,229,142)**	(5,130,164)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**564,977**	5,000,500
Proceeds from borrowings	6	**3,000,000**	-
Issue costs		**(64,084)**	-
Payments of lease liabilities		**(9,328)**	(10,757)
NET CASH PROVIDED BY FINANCING ACTIVITIES		**3,491,565**	**4,989,743**
Net (decrease)/increase in cash held		**(6,106,715)**	(1,945,545)
Cash at the beginning of the period		**6,848,717**	7,875,025
Effects of exchange rate changes on cash		**(12,271)**	225,299
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**729,731**	6,154,779

Notes to the consolidated financial statements are attached.

Notes to the consolidated financial statements for the half-year ended 31 December 2023

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 2023 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 has been 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 2023 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 2023, 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.

For the period ended 31 December 2023, the Group incurred a loss of $1,821,374 after income tax and net cash used in operating activities was $1,369,138 and net cash used in investing activities was $8,229,142. At 31 December 2023 the Group had net current liabilities of $192,462 and commitments due in the next 12 months of $3,734,747. Subsequent to balance date the Group raised $1,139,403 from the issue of shares.

The ability of the Group to continue as a going concern is dependent upon completing a capital raise or securing other forms of financing within the next two months. This is in addition to amounts already raised subsequent to balance date. These funds are required to continue development of planned power projects and to meet the consolidated Group's working capital requirements. The ability of the Group to continue as a going concern is also dependent upon future capital raises.

These conditions give rise to material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern. Whilst acknowledging these uncertainties, the Directors have concluded that the going concern basis of preparation of the financial statements is appropriate considering the following circumstances:

- Management is in discussions with a number of parties to provide funding for completion of work to connect the Group's power project to the electricity grid, a key target which would enable the Group to generate first revenue;
- The Company's largest shareholder continues to support the company and has provided a $1m loan facility that can be drawn down as required. This amount may also be increased in future subject to agreement with the shareholder; and
- Funds could be raised through the equity markets as supported by recent successful capital raisings.

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. Should the Group be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial report. This financial report does not include any adjustments related to the recoverability and classification of recorded asset amounts or classification of liabilities and appropriate disclosures that may be necessary should the Group be unable to continue as a going concern.

Notes to the consolidated financial statements for the half-year ended 31 December 2023 continued

Note 1 Significant accounting policies (continued)

Fair values

The fair values of the 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

The consolidated entity performs regular reviews on each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. These reviews are based on detailed surveys and analysis of drilling results performed to reporting date.

Management has considered whether Tlou is still in the exploration and evaluation (E&E) phase or has moved into development. The projects should still be classified as E&E as the technical and commercial feasibility has not been established. In particular:

- whilst there has been independently certified gas reserves and contingent resources whether or not these reserve gas flow rates will be of a commercial quantity has not been established;
- funding for the commercialisation of reserves and for a commercial level of production has not been confirmed; and
- a final investment decision has not been made.

At the date of this report the Directors consider that Tlou is still in the E&E phase. While the Company has made significant progress during the reporting period, the three points above are still relevant, i.e. (i) commercial gas flow rates are yet to be established, (ii) agreed funding to commercialise the project is not yet in place, (iii) the Company has not reached a final investment decision. Based on these facts and despite the progress made to date the project remains in the E&E stage.

Notes to the consolidated financial statements for the half-year ended 31 December 2023 continued

Note 2. Expenses

Loss before income tax includes the following specific expenses:	Dec 2023 $	Dec 2022 $
Other expenses		
• Stock exchange and secretarial fees	**215,486**	197,608
• Engineers and consultants	**114,277**	190,204
• Investor relations	**110,036**	320,463

Note 3. Trade and other receivables

	Dec 2023 $	June 2023 $
Current		
Other receivables	**13,607**	23,443
GST/VAT receivable	**1,075,580**	1,288,001
	1,089,187	1,311,444

Note 4. Other current assets

	Dec 2023 $	June 2023 $
Prepayments	**337,406**	346,121
Prepayments for material and equipment for new field operations facility	**-**	794,670
	337,406	1,140,791

Note 5. Exploration and evaluation expenditure

	Dec 2023 $	June 2023 $
Exploration and evaluation assets	**66,405,934**	60,442,961
	66,405,934	60,442,961

Movements in exploration and evaluation assets	Dec 2023 $
Balance at the beginning of period	**60,442,961**
Exploration and evaluation expenditure during the period	**8,128,922**
Foreign currency translation	**(2,165,949)**
Balance at the end of period	**66,405,934**

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 2023 continued

Note 6. Convertible notes

The parent entity has convertible notes and loans as follows:

	Dec 2023 $	June 2023 $
Convertible notes	**8,204,344**	8,086,011
Convertible loans	**3,785,480**	-
	11,989,824	8,086,011

<u>Convertible Notes</u>

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 with interest payments due at six-month intervals thereafter. The notes expire on 24 January 2027, being 5 years after issue.

	Dec 2023 $
Opening Balance	**8,086,011**
Interest expense	**319,461**
Effect of foreign exchange movement	**(201,128)**
Non-current host liability	**8,204,344**

<u>Convertible Loans</u>

ILC Investments Pty Ltd ("ILC") and ILC BC Pty Ltd ("ILCB") have provided loans to the Company, made up of a converted ILC term loan along with an additional $2m loan from ILC and a separate $1m loan from ILCB. ILC is Tlou's largest shareholder. Interest on the loans is charged at 10% per annum. The convertible loans are repayable at the earlier of 30 April 2026 or 60 days after the date the Company first generates and supplies electricity into the grid from its Lesedi project. At any time during the term, ILC and ILCB may elect to convert the whole or part of the loan into shares in the Company at $0.035 per share.

	Dec 2023 $	June 2023 $
Opening balance	**-**	-
Loans advanced	**3,000,000**	-
Recognition of financial liability	**2,090,411**	
Conversion component on initial recognition	**(1,304,931)**	
Interest expense	**90,959**	-
Interest accrued	**(90,959)**	-
	3,785,480	-

Notes to the consolidated financial statements
for the half-year ended 31 December 2023 continued

Note 6. Convertible notes (continued)

With the inclusion of the convertible option on the loans, the company undertook a valuation of the loans to include the financial liability and the conversion feature of the loan.

The convertible loans comprise: (a) a debt instrument; and (b) a conversion feature to exchange the loans for a fixed number of equity instruments. In valuing the convertible loans it was necessary to determine the fair value of the liability component and subtract this value from the face value of the convertible loans to determine the equity component.

	$ **ILC Loan**	**$** **ILCB Loan**	**$** **Total**
Valuation Date	08-Nov-23	03-Nov-23	
Face Value	4,090,411	1,000,000	5,090,411
Financial Liability Component	3,043,980	741,500	3,785,480
Conversion Feature Component	1,046,431	258,500	1,304,931
Total	**4,090,411**	**1,000,000**	**5,090,411**

The financial liability is classified as a non-current liability and the conversion feature is classified as an equity reserve.

Note 7. Long term loan

Term Loan

	Dec 2023 **$**	**June 2023** **$**
Opening balance	**2,000,000**	-
Loans advanced	**-**	2,000,000
Interest capitalised	**90,411**	32,876
Interest accrued	**-**	(32,876)
Derecognition of loan	**(2,090,411)**	-
	-	2,000,000

ILC Investments Pty Ltd (“ILC”) provided a loan to the Company during the year ended 30 June 2023. In November 2023 the terms of the loan were amended with a conversion option added. The balance at the date of amendment and accrued interest up to date of amendment were then reclassified as a convertible loan as outlined in Note 6.

Notes to the consolidated financial statements
for the half-year ended 31 December 2023 continued

Note 8. Contributed equity

	Dec 2023 Shares	June 2023 Shares	Dec 2023 $	June 2023 $
Opening balance	**1,024,583,025**	600,199,039	**121,509,325**	106,763,927
Issue of ordinary shares during the year	19,399,332	424,383,986	678,977	14,853,721
Share issue costs	-	-	(64,084)	(108,323)
Ordinary shares - fully paid	**1,043,982,357**	1,024,583,025	**122,124,218**	121,509,325

Ordinary shares issued during the half-year

	Issue Date	No. of Shares	Issue Price (AUD)
Placement	12-Oct-23	19,399,332	$0.035

Options

At 31 December 2023, 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 2023.

Issue Date	Hurdle Price	Expiry date	1/07/2023	Issued	Exercised	Lapsed	31/12/2023
31/01/2017	$0.28	31/01/2024*	2,275,000	-	-	-	2,275,000
19/10/2018	$0.165	31/01/2025	2,175,000	-	-	-	2,175,000
19/10/2018	$0.22	31/01/2025	2,175,000	-	-	-	2,175,000
15/12/2021	$0.10	31/01/2025	3,000,000	-	-	-	3,000,000
15/12/2021	$0.165	31/01/2025	3,000,000	-	-	-	3,000,000
1/02/2023	$0.165	31/01/2025	2,000,000	-	-	-	2,000,000
1/02/2023	$0.22	31/01/2025	2,000,000	-	-	-	2,000,000
1/02/2023	$0.28	31/01/2025	2,000,000	-	-	-	2,000,000
			18,625,000	-	-	-	18,625,000

*These rights expired on 31 January 2024.

Note 9. Contingent liabilities

The Directors are not aware of any contingent liabilities at 31 December 2023.

Notes to the consolidated financial statements for the half-year ended 31 December 2023 continued

Note 10. 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 2023 no revenue has been derived from its operations (2022: $nil).

Segment assets

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

	Dec 2023	June 2023
	$	$
Botswana	**69,100,814**	61,802,339
Australia	**25,816**	31,726
	69,126,630	61,834,065

Note 11. Commitments

<u>Exploration expenditure</u>

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, and variations to agreements the consolidated entity's proposed expenditure obligations along with obligations under contracts related to the construction of transmission lines and associated infrastructure which are not provided for in the financial statements are as follows:

	Dec 2023	June 2023
Minimum expenditure requirements	**$**	$
● not later than 12 months	**3,176,610**	5,630,270
● between 12 months and 5 years	**558,137**	263,181
	3,734,747	5,893,451

Note 12. Events occurring after reporting date

In February 2024, the Company issued 32,554,360 ordinary shares at $0.035 per share, raising $1,139,403. The total number of issued shares following this capital raising is 1,076,536,717. Also, on 31 January 2024, 2,275,000 performance rights lapsed.

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 2023 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 8th day of March 2024

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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 2023, 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 2023 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 2023 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

BDO

R J Liddell
Director

Brisbane, 8 March 2024