

# **Tlou Energy Limited**

ABN 79 136 739 967

## **Annual Report and**

**Consolidated Financial Statements for the year ended 30 June 2019**

## Corporate Directory

ABN	79 136 739 967
Directors	Martin McIver Anthony Gilby Gabaake Gabaake Colm Cloonan Hugh Swire Linah Mohohlo
Company Secretary	Solomon Rowland
Administration & Registered Office	210 Alice Street Brisbane QLD 4000 Australia
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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## Chairman's letter

Dear Shareholders,

We have made excellent progress towards establishing ourselves as a key power player in Botswana, culminating in May 2019 on receiving written confirmation from the government of Botswana that we have been chosen as a preferred bidder for the development of a Coal Bed Methane (CBM) gas-to-power plant in Botswana. This was a key target during the year, as we work towards our goal of becoming a regional power provider in southern Africa through the development of our CBM assets.

We are privileged to have the support of the forward-thinking government of Botswana, which announced in 2016 that CBM, a relatively clean source of energy and more competitively priced than solar and diesel, is to be included as part of the country's forward plan to combat power deficiency.

In October 2018, the Company submitted its proposal for development of a pilot CBM gas-to-power project in response to the Request for Proposal (RFP) issued by the Ministry of Mineral Resources, Green Technology and Energy Security. The submission, which was assessed on eligibility, technical and financial criteria, outlined a staged development commencing with up to 10MW of power generation and included the required connection into Botswana's national power distribution network. With the Company selected as a preferred bidder for this project, Tlou is now in the final stage of the process, being negotiations with the government on a Power Purchase Agreement (PPA) ahead of commencing the development work.

The Company has also received environmental approval for up to 20MW of CBM power generation including the drilling of 200 production pods, a 66 kV Transmission Line and a Solar Farm up to 20MW. With this approval, the Company has the required environmental approvals to commence commercial development.

During the last 12 months, Tlou has completed a work program including drilling of two dual lateral development wells in the Lesedi project. The wells (Lesedi 3 and 4) are located adjacent to the proposed central gas gathering and power generation facility and are currently producing gas.

In April 2019, the Company successfully completed targeted private placements to sophisticated investors in Botswana and Australia. Following the placements, local ownership increased significantly, with the Botswana Public Officers Pension Fund (BPOPF) now the Company's largest shareholder.

This has been a highly active year for Tlou, following confirmation that the Company has been chosen as a preferred bidder for the development of the one of the first commercial CBM gas-to-power projects in Botswana, approval of the required Environmental Impact Statement and the successful drilling of two dual lateral development wells. We look forward to another successful year ahead.

With CBM development not previously established in Botswana, Tlou is pioneering CBM development in the region. Successful results from Tlou's projects could potentially impact a whole new CBM basin and be a significant boost not only for Tlou, but for the whole region.

I would like to take this opportunity to thank the Tlou Board, management, field staff and advisers, and most importantly our shareholders for their continued support during this exciting time for Tlou.

Yours faithfully,



Martin Mclver

Chairman

## Managing Director's Report

Dear Shareholders,

Tlou Energy has made significant advancements over the year adding to the number of milestones reached to date which include:

- Established the first Independently Certified Gas Reserves in Botswana with enough 2P gas already in place to complete the currently proposed 10MW power project;
- Flowed gas from the Selemo Pilot for approximately 2 years;
- Generated electricity from the Selemo Pilot gas for several months;
- Awarded the first Mining Licence for CBM gas in the country;
- Obtained upstream environmental approval for over 200 production wells, water handling, seismic, gas gathering pipelines and a gas processing facility;
- Successfully acquired the first seismic program in the country specifically targeting CBM gas;
- Successfully completed two gas production pods (Lesedi 3 & 4) in 1H19, safely and on budget;
- Considerably reduced well cost over time;
- Obtained downstream environmental approval for 20MW of gas fired power generation coupled with 20MW of solar plus a transmission line to connect to the grid;
- Numerous wells drilled since Tlou operations commenced adding to a database comprising over 100 wells;
- Tlou has a 100% owned project over approximately 9,300Km<sup>2</sup>, with enormous scope for gas Reserve expansion;
- The Company has built an experienced in-county operational workforce;
- Landholder agreements are either in-place or being finalised;
- Botswana investors (Pension Funds) are now the largest shareholder group in the Company aligning the country's interest with that of the broader shareholder base;
- Experienced and diverse board.

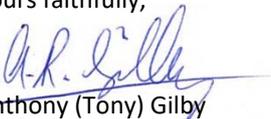
The principal remaining risks for the Company are achieving a commercial gas flow from the recently drilled development wells and finalising Power Purchase Agreement (PPA) negotiations.

At the time of writing, a stabilised gas flow from Lesedi 3 and Lesedi 4 has been achieved. It is anticipated that, based on industry norms, the stabilised gas flow from the Lesedi wells should increase with time until a peak is reached.

PPA negotiations with the government are progressing and will remain confidential until the government is in a position to make an announcement.

If everything goes according to plan, shareholders can look forward to further gas flow rate updates from Lesedi 3 & 4, drilling at the Mamba project area, finalisation of the PPA, agreement of a development financing package potentially from Botswana based investors or debt financiers, seismic acquisition, an anticipated gas Reserve upgrade and commencement of the downstream power generation development.

Yours faithfully,



Anthony (Tony) Gilby  
Managing Director

## 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 'parent entity') and the entities it controlled at 30 June 2019.

### General Information

#### Directors

The following persons were directors of Tlou Energy Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

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

#### Dividends

There were no Dividends recommended or paid during the financial year.

#### Principal activities

The principal activity of the consolidated entity is the exploration and evaluation of assets in Botswana to identify and develop Coalbed Methane (CBM) natural gas resources suitable for gas-to-power generation. 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.

#### Significant changes in the state of affairs

During the year ended 30 June 2019, there were no other significant changes to the state of affairs of the consolidated entity other than those disclosed in the financial report and notes thereof.

#### Review and results of operations

The loss for the year after income tax amounted to \$3,216,695 (30 June 2018: \$2,810,730). The loss for the year is in line with expectations, with the Company being an exploration entity that has not yet commenced revenue generation.

#### Gas-to-Power Tender

The Company was invited by Botswana's Ministry of Mineral Resources Green Technology and Energy Security ('the Ministry') to submit a response under a Request for Proposal (RFP) for Development of CBM fuelled power plants in Botswana as an Independent Power Producer (IPP).

This proposal is for the development of CBM fuelled power plants up to 100MW. A successful RFP process can assist in the development of a new CBM gas industry in the country and create a new market for Tlou's independently certified gas reserves and contingent gas resources.

The Company submitted its proposal on 10 October 2018. The RFP submission was assessed based on eligibility, technical and funding criteria. The Company successfully passed these criteria with the process now at the final stage, aimed at agreeing a Power Purchase Agreement (PPA). These PPA negotiations are confidential and are being led by the government of Botswana.

Tlou's submission outlined a staged development commencing with up to 10MW of generation as well as outlining project feasibility, proposed field development, installation of power generation facilities and supply of power into the grid in Botswana. Upon successful completion of the initial project, the Company would look to expand further.

Once an initial development is completed, Tlou Energy's gas field will be connected to the regional grid, thereby opening the possibility for the Company to provide power across the region, via the Southern African Power Pool (SAPP).

### **Development well drilling program**

The Company drilled two development wells in the Lesedi project area during the year. The wells were drilled as ‘dual lateral pods’, comprising a single vertical production well intersected by two lateral wells. These pods are designated ‘Lesedi 3’ and ‘Lesedi 4’.

The drilling program was completed, having been carried out efficiently and safely as a result of the excellent work of the Company’s field personnel. The pods are located adjacent to the Company’s proposed central gas gathering and power generation facility.

The Lesedi gas production pods are performing strongly. Water rates in both pods continues to decline as planned, with both Lesedi 3 & 4 having successfully commenced flowing sustained rates of gas. As with most new CBM developments this rate is anticipated to steadily increase over the coming months, leading to a peak gas flow rate.

### **Downstream Environmental Impact Statement approval**

Botswana’s Department of Environmental Affairs (DEA) has approved the Environmental Impact Statement (EIS) for up to 20MW of CBM power generation including the drilling of up to 200 production pods, a 66kV Transmission Line and a Solar Farm up to 20MW. In 2018 the Company commenced work on its application for an EIS for downstream development (power generation and transmission). The Company already has approval in place for its upstream activities (development drilling and exploration).

Downstream EIS approval is a major achievement as it is the final environmental authorisation required to move the Lesedi CBM Project through to commercialisation. The EIS is for all the specified project activities in the Company’s application, is valid for 30 years and provides the Company the flexibility to rapidly expand power generation activities.

### **Funds raised**

In April 2019, the Company successfully completed targeted private placements to sophisticated investors in Botswana and Australia (‘Placements’). The Placements raised approximately A\$4.1 million before costs. Following the Placements, the Botswana Public Officers Pension Fund (BPOPF) are now the Company’s largest shareholder.

### **Matters subsequent to the end of the financial year**

There has not been any matter or circumstance, other than that referred to in this report and disclosed in the financial statements or notes thereto, that has arisen since the end of the period, that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of these operations, or the state of affairs of the consolidated entity in future financial years.

### **Likely developments and expected results of operations**

The Company has drilled pilot development wells in the Lesedi project area. These wells are currently producing CBM. 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 CBM project. At the date of this report it is not yet known if the gas rates from these wells will prove to be sufficient for commercial development of the project.

The Company is in negotiations with the government of Botswana in relation to the purchase of electricity from Tlou’s Lesedi project. This would provide an ideal path to market for Tlou’s gas. While ideal, it is not the only option available to the Company, as there are other potential off-takers available in the region. Negotiations with government are confidential and further updates will be provided when and if an agreement is reached.

No guarantee can be given in relation to the results of the Company’s operations, gas flows or government negotiations. However, the electricity market in southern Africa continues to suffer from chronic shortage of supply, so development of gas and gas-fired power in the region remains a very attractive commercial option.

### **Environmental regulation**

The Directors are satisfied that adequate systems are in place for the management of its environmental responsibilities and compliance with its various licence requirements and regulations. The Directors are not aware of any breaches of these requirements and to the best of their knowledge, all activities have been undertaken in compliance with environmental regulations.

**Information on Directors**

<b>Martin McIver</b>	<b>MBA</b>	
Special Responsibilities		Non-Executive Chairman Member of the Audit Committee Member of the Risk Committee Chairman of the Nomination & Remuneration Committee
Interest in Shares and options		812,102 Ordinary Shares 750,000 Performance Rights

**Experience**

Martin holds an MBA (International) from the American Graduate School of International Management, a Graduate Diploma in Applied Finance and Valuations (FINSIA/Kaplan) and a Bachelor of Business (Marketing) from the Queensland University of Technology.

Martin has over 15 years' experience as General Manager for mining services companies including bulk and dangerous goods logistics, and drilling services. Martin was the Executive General Manager of the Mitchell Group, a vertically integrated coal and coal seam gas company with investments and operations across Australia, Asia and Africa. Prior to joining the Mitchell Group, Martin was a Director in Mergers and Acquisitions with PricewaterhouseCoopers.

Martin was appointed Non-Executive Director in September 2010 and is currently the Chief Financial Officer of the Workpac group. During the past three years, Martin has not served as a Director of any other ASX listed companies.

<b>Anthony Gilby</b>	<b>B.Sc. (First Class Honours)</b>	
Special Responsibilities		Managing Director and Chief Executive Officer Member of the Audit Committee Member of the Nomination & Remuneration Committee
Interest in Shares and options		21,701,789 Ordinary Shares 750,000 Performance Rights

**Experience**

Tony was appointed Managing Director and Chief Executive Officer in March 2012 and has over 30 years' experience in the oil and gas industry. He is a founding director of Tlou Energy Limited.

Tony was awarded a Bachelor of Science (First Class Honours) degree in Geology from the University of Adelaide in 1984, and also won the University Medal in Geology (Tate Memorial Medal). Tony began his career working as a well-site geologist for Delhi Petroleum in the Cooper Basin. He subsequently joined ESSO Australia. His roles with ESSO included exploration geology, geophysics, petrophysics and a period of time working in the Exxon Production Research Centre in Houston studying the seismic application of sequence stratigraphy.

On his return to Australia, he continued to work with ESSO in a New Ventures capacity working on a variety of projects prior to relocating to Brisbane where he worked for MIM Petroleum and the Louisiana Land and Exploration Company (LL&E). In 1996, he left LL&E to take on a consulting role as well as the acquisition of prospective Queensland acreage in a private capacity. This work culminated with the founding of Sunshine Gas Limited where he remained Managing Director until its sale in late 2008. He is a former Non-Executive director of ASX listed Comet Ridge Limited.

**Gabaake Gabaake M.Sc.**

Special Responsibilities

Executive Director  
Member of the Risk Committee  
Member of the Nomination & Remuneration Committee

Interest in Shares and options

330,857 Ordinary Shares  
750,000 Performance Rights

**Experience**

Gabaake graduated with a Bachelor of Science degree in Geology from the University of Botswana in 1986 followed by a Masters degree in groundwater hydrology from the University College of London in 1989.

Gabaake is a Botswana citizen based in Gaborone. He is a former Botswana Government senior public servant having worked as Permanent Secretary at the Ministry of Minerals, Energy and Water Resources. Prior to that, he served at the Ministry of Local Government.

Gabaake has served on various private company boards including De Beers Group, Debswana Diamond Company (Pty) Limited and Diamond Trading Company Botswana. During the past three years, Gabaake has not served as a Director of any other ASX listed companies.

**Colm Cloonan FCCA**

Special Responsibilities

Finance Director  
Member of the Audit Committee  
Member of the Nomination & Remuneration Committee

Interest in Shares and options

1,081,112 Ordinary Shares  
750,000 Performance Rights

**Experience**

Colm Cloonan is the Company's Finance Director. Colm is a Fellow of the Association of Chartered Certified Accountants (FCCA) with 20 years' experience in various finance roles.

Colm joined Tlou in 2009 at the very early stages of the Company's activities and has been with the Company through all phases of its operations and development to date. Colm has worked in Europe and Australia in a range of finance roles including audit and business services, as well as providing financial and management accounting services to clients in various industries including power generation in Australia.

Colm studied accountancy at the Galway-Mayo Institute of Technology in Ireland. During the past three years, Colm has not served as a Director of any other ASX listed companies.

**Hugh Swire BA (Hons)**

Special Responsibilities

Non-Executive Director  
 Chair of the Risk Committee  
 Member of the Nomination & Remuneration Committee

Interest in Shares and options

4,560,092 Ordinary Shares  
 500,000 Performance Rights

**Experience**

Hugh started his career working with Mahon China, an established investment management and advisory partnership based in Beijing. Active in China since 1985, Mahon China have over 3 decades of experience advising foreign companies with investments and corporate activities in China. Hugh has remained a Partner of the firm and now supports UK / EU companies from London looking to expand and find partners in China or increasingly support Chinese companies looking to make investments internationally.

After leaving Mahon China, Hugh spent a decade working for Investment funds and International banks in Hong Kong and Tokyo where he worked for Nomura as well as in London for JP Morgan where he was Vice President.

Since 2010, Hugh has been focused on supporting fast growing UK companies in the low carbon and technology sectors by investing growth capital in Water Powered Technologies Ltd, a leading innovator in zero energy water management systems as well as MWF Ltd, one of the largest suppliers of renewable heat in the UK, which has since been sold to Aggregated Micro Power Holdings plc. Hugh also helped found a leading technology education company Black Country Atelier Ltd, which provides specialist training courses to students globally in 3D printing (CAM) digital electronics and CAD.

Hugh still travels to China regularly after studying Chinese at Oxford University graduating with a BA Hons. During the past three years, Hugh has not served as a Director of any other ASX listed companies.

**Linah Mohohlo MA Finance & Investments, BA Economics**

Special Responsibilities

Non-Executive Director  
 Chair of the Audit Committee  
 Member of the Nomination & Remuneration Committee

Interest in Shares and options

500,000 Performance Rights

**Experience**

Ms Linah Kelebogile Mohohlo, is the former Governor of the Bank of Botswana, a position she held from 1999 to 2016. Ms Mohohlo joined the Bank of Botswana in 1976, and served in several capacities including Board Secretary, Deputy Director of Research, Director of the Financial Markets and Deputy Governor, before being appointed Governor.

Ms Mohohlo was a member of the Commission for Africa and the Africa Progress Panel, a group of ten distinguished individuals who advocate at the highest levels for equitable and sustainable development in Africa. Along with her contacts and expertise in the banking and finance sectors, Ms Mohohlo brings to Tlou Energy significant experience from the mining industry in Botswana having been a board member of both Debswana Diamond Company and Diamond Trading Company Botswana.

Ms Mohohlo holds a Bachelors Degree in Economics from The George Washington University (Washington DC), a Masters Degree in Finance and Investments from the University of Exeter (UK) and a Diploma in Accounting and Business Studies from the University of Botswana.

During the past three years, Ms Mohohlo has not served as a Director of any other ASX listed companies.

## **Remuneration Report - audited**

This report outlines the remuneration arrangements in place for the key management personnel of the consolidated entity.

### **Remuneration policy**

Ensuring that the level of Director and Executive remuneration is sufficient and reasonable is dealt with by the full Board. The Remuneration Policy of Tlou Energy Limited has been designed to align the objectives of key management personnel with shareholder and business objectives. The Board of Tlou Energy Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the consolidated entity, as well as create shared goals between key management personnel and shareholders.

The Board's policy for determining the nature and amount of remuneration for the executive Directors and senior executives of the consolidated entity is as follows:

- The remuneration policy is developed by the Board after seeking, if appropriate, professional advice from independent external consultants.
- Executives employed by the consolidated entity receive a base salary (which is based on factors such as length of service and experience), inclusive of superannuation, fringe benefits, options and performance incentives where appropriate. Performance incentives are generally only paid once predetermined key performance indicators have been met.
- Executives engaged through professional service entities are paid fees based on an agreed market based hourly rate for the services provided and may also be entitled to options and performance based incentives. Performance incentives are generally only paid once predetermined key performance indicators have been met.
- Incentives paid in the form of options or performance rights are intended to align the interests of management, the Directors and Company with those of the shareholders. In this regard, executives are prohibited from limiting risk attached to those instruments by use of derivatives or other means.

The Board reviews executive remuneration arrangements annually by reference to the consolidated entity's performance, executive performance and comparable information from industry sectors.

Key management personnel including Non-executive Directors and employed executives receive the superannuation guarantee contribution required by the Commonwealth Government, which is currently 9.5% and do not receive any other retirement benefits. Individuals, however, can choose to sacrifice part of their salary to increase payments towards superannuation.

### **Non-Executive Director Remuneration**

The Board's policy is to remunerate Non-Executive Directors for time, commitment and responsibilities. The Board determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required.

The maximum aggregate amount of fees that can be paid to Non-Executive Directors is \$500,000 per year. This was approved by shareholders at a general meeting held on 10 July 2012.

Fees for Non-Executive Directors are not linked to the performance of the consolidated entity, however, to align Directors interests with shareholder interests, where possible the Directors are encouraged to hold shares in the Company. There is no minimum holding prescribed in the Constitution.

### **Performance conditions linked to remuneration**

The Board provides advice on remuneration and incentive policies and practices and specific recommendations on remuneration packages and other terms of employment for executive Directors, other senior executives and Non-Executive Directors. The aim is to ensure that reward for performance is competitive and appropriate for the results delivered.

Remuneration and the terms and conditions of employment for executive Directors and Company executives are reviewed annually having regard to performance and relative comparative information and are approved by the Board following independent professional advice, as required. In this respect, consideration is given to normal commercial rates of remuneration for similar levels of responsibility.

**Key management personnel during the financial year ended 30 June 2019****Directors**

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

**Executives**

Solomon Rowland                      Company Secretary

There were no other key management personnel of the consolidated entity during the financial year ended 30 June 2019.

**Details of remuneration**

Details of remuneration of each of the Directors and executives of the consolidated entity during the financial year are set out in the following table:

## Benefits and Payments for the year ended 30 June 2019

	Short-term benefits		Post Employment benefits	Long term benefits	Total Cash Remuneration	Share based payments		Total
	Salary & Fees	Cash Bonus	Superannuation	Leave Benefits		Performance Rights	Equity Compensation	
<b>Directors</b>	\$	\$	\$	\$	\$	\$		\$
M Mclver	48,000	-	4,560	-	52,560	43,150	45.1%	95,710
A Gilby	415,082	-	17,965	-	433,047	43,150	9.1%	476,197
G Gabaake	170,919	-	12,661	10,713	194,293	43,150	18.2%	237,443
C Cloonan	257,749	-	24,479	47,041	329,269	43,150	11.6%	372,419
H Swire	24,000	-	-	-	24,000	43,150	64.3%	67,150
L Mohohlo	24,000	-	1,119	-	25,119	43,150	63.2%	68,269
<b>Total Directors</b>	<b>939,750</b>	<b>-</b>	<b>60,784</b>	<b>57,754</b>	<b>1,058,288</b>	<b>258,900</b>		<b>1,317,188</b>
<b>Executives</b>								
S Rowland	182,648	-	17,352	-	200,000	43,150	17.7%	243,150
<b>Total Executives</b>	<b>182,648</b>	<b>-</b>	<b>17,352</b>	<b>-</b>	<b>200,000</b>	<b>43,150</b>		<b>243,150</b>
<b>Total</b>	<b>1,122,398</b>	<b>-</b>	<b>78,136</b>	<b>57,754</b>	<b>1,258,288</b>	<b>302,050</b>		<b>1,560,338</b>

During the 2019 year, no proportion of the remuneration of any key management personnel was performance based. No key management personnel received cash bonuses, performance related bonuses, termination benefits or non-cash benefits during the year.

## Benefits and Payments for the year ended 30 June 2018

	Short-term benefits		Post Employment benefits	Long term benefits	Share based payments			Total
	Salary & Fees	Cash Bonus	Superannuation	Leave Benefits	Total Cash Remuneration	Performance Rights	Equity Compensation	
<b>Directors</b>	\$	\$	\$	\$	\$	\$		\$
M Mclver	48,000	-	4,560	-	52,560	21,937	29.4%	74,497
A Gilby	331,915	-	14,365	18,083	364,363	21,937	5.7%	386,300
G Gabaake	134,668	-	12,243	10,359	157,270	21,937	12.2%	179,207
C Cloonan	200,000	-	19,000	8,974	227,974	21,937	8.8%	249,911
H Swire	24,000	-	-	-	24,000	-	-	24,000
L Mohohlo*	23,812	-	1,082	-	24,894	-	-	24,894
<b>Total Directors</b>	<b>762,395</b>	<b>-</b>	<b>51,250</b>	<b>37,416</b>	<b>851,061</b>	<b>87,748</b>		<b>938,809</b>
<b>Executives</b>								
S Rowland	182,649	-	17,352	8,196	208,197	21,937	9.5%	230,134
<b>Total Executives</b>	<b>182,649</b>	<b>-</b>	<b>17,352</b>	<b>8,196</b>	<b>208,197</b>	<b>21,937</b>		<b>230,134</b>
<b>Total</b>	<b>945,044</b>	<b>-</b>	<b>68,602</b>	<b>45,612</b>	<b>1,059,258</b>	<b>109,685</b>		<b>1,168,943</b>

\* Appointed 12 July 2017

During the 2018 year, no proportion of the remuneration of any key management personnel was performance based. No key management personnel received cash bonuses, performance related bonuses, termination benefits or non-cash benefits during the year.

### Service agreements

The following outlines the remuneration and other terms of employment for the following personnel during the reporting period which are formalised in employment contracts for services.

Anthony Gilby	Managing Director and Chief Executive Officer
Term of Agreement:	Mr Gilby's services are provided in a personal capacity. The agreement has no fixed term. Based on the agreed rate the estimated contracted annual cost to the Company is approximately \$578,000. Mr Gilby continues to waive 25% of his current contracted rate, so the cost for the reporting period is approximately \$433,000.
Termination Benefit:	No termination benefit is payable if terminated for cause.
Termination Notice:	The Company may give Mr Gilby three months' notice or pay 1.5 times his contracted salary in lieu of notice to terminate the Agreement.
Solomon Rowland	Company Secretary
Term of Agreement:	Mr Rowland's services are provided in a personal capacity. The agreement has no fixed term.
Base Fee:	Based on the contracted rate during the reporting period and taking account of adjustments for industry standards and CPI, the annual cost to the Company was approximately \$200,000. From 1 July 2019 Mr Rowlands annual salary is ~\$230,000.
Termination Benefit:	No termination benefit is payable if terminated for cause.
Termination Notice:	The Company may give the Company Secretary six months' notice of its intention to terminate the Agreement.

## Service agreements (continued)

Gabaake Gabaake	Executive Director
Term of Agreement:	Mr Gabaake's services are provided in a personal capacity. The agreement has no fixed term.
Base Fee:	Based on the contracted rate during the reporting period and taking account of adjustments for industry standards and CPI, Botswana severance benefits payable during the year, the annual cost to the Company was approximately \$184,000. From 1 July 2019 Mr Gabaake's annual salary is ~\$167,747.
Termination Benefit:	No termination benefit is payable if terminated for cause.
Termination Notice:	The Company may give the Executive Director six months' notice of its intention to terminate the Agreement.
Colm Cloonan	Finance Director
Term of Agreement:	Mr Cloonan's services are provided in a personal capacity. The agreement has no fixed term.
Base Fee:	Based on the contracted rate during the reporting period and taking account of adjustments for industry standards and CPI, the annual cost to the Company was approximately \$282,000. From 1 July 2019 Mr Cloonan's annual salary is ~\$288,137.
Termination Benefit:	No termination benefit is payable if terminated for cause.
Termination Notice:	The Company may give the Finance Director six months' notice of its intention to terminate the Agreement.

**Key management personnel shareholdings**

The number of ordinary shares in Tlou Energy Limited held by each key management person of the consolidated entity during the financial year is as follows:

30 June 2019	Balance at beginning of year	Granted as remuneration during the year	Additions	Disposals	Balance at date of resignation / appointment	Balance at end of year
M McIver	696,088	-	116,014	-	-	812,102
A Gilby	18,196,487	-	3,505,302	-	-	21,701,789
G Gabaake	330,857	-	-	-	-	330,857
C Cloonan	669,525	-	411,587	-	-	1,081,112
H Swire	3,064,366	-	1,495,726	-	-	4,560,092
L Mohohlo	-	-	-	-	-	-
S Rowland	250,000	-	-	-	-	250,000
	<b>23,207,323</b>	<b>-</b>	<b>5,528,629</b>	<b>-</b>	<b>-</b>	<b>28,735,952</b>

**Performance rights**

Performance Rights are linked to the share price performance of the Company, ensuring alignment with the interests of the Company's shareholders. The Performance Rights issued to key management personnel are split into Tranches of 250,000 shares. For the Performance Rights to vest and, therefore, become exercisable by a participant, certain performance conditions are required to be met as set out below. On vesting, holders of Performance Rights will be entitled to acquire Tlou Energy Limited ordinary shares at nil cost.

Performance rights held by key management personnel at 30 June 2019 are as set out below:

30 June 2019	Tranche	Issue Date	Opening Balance	Value	Exercised	Lapsed	Balance at Year End	Unvested
M McIver	(i)	19-Oct-18	250,000	21,575	-	-	250,000	250,000
	(ii)	19-Oct-18	250,000	21,575	-	-	250,000	250,000
	(iii)	31-Jan-17	250,000	34,000	-	-	250,000	250,000
A Gilby	(i)	19-Oct-18	250,000	21,575	-	-	250,000	250,000
	(ii)	19-Oct-18	250,000	21,575	-	-	250,000	250,000
	(iii)	31-Jan-17	250,000	34,000	-	-	250,000	250,000
G Gabaake	(i)	19-Oct-18	250,000	21,575	-	-	250,000	250,000
	(ii)	19-Oct-18	250,000	21,575	-	-	250,000	250,000
	(iii)	31-Jan-17	250,000	34,000	-	-	250,000	250,000
C Cloonan	(i)	19-Oct-18	250,000	21,575	-	-	250,000	250,000
	(ii)	19-Oct-18	250,000	21,575	-	-	250,000	250,000
	(iii)	31-Jan-17	250,000	34,000	-	-	250,000	250,000
H Swire	(i)	19-Oct-18	250,000	21,575	-	-	250,000	250,000
	(ii)	19-Oct-18	250,000	21,575	-	-	250,000	250,000
L Mohohlo	(i)	19-Oct-18	250,000	21,575	-	-	250,000	250,000
	(ii)	19-Oct-18	250,000	21,575	-	-	250,000	250,000
S Rowland	(i)	19-Oct-18	250,000	21,575	-	-	250,000	250,000
	(ii)	19-Oct-18	250,000	21,575	-	-	250,000	250,000
	(iii)	31-Jan-17	250,000	34,000	-	-	250,000	250,000
<b>Total</b>			<b>4,750,000</b>	<b>472,050</b>	<b>-</b>	<b>-</b>	<b>4,750,000</b>	<b>4,750,000</b>

Tranche	Performance conditions and expiry date
(i)	To vest the share price needs to be AUD \$0.165 or greater for a period of 10 consecutive trading days. These performance rights expire on 31/01/2025.
(ii)	To vest the share price needs to be AUD \$0.22 or greater for a period of 10 consecutive trading days. These performance rights expire on 31/01/2025.
(iii)	To vest the share price needs to be AUD \$0.28 or greater for a period of 10 consecutive trading days. These performance rights expire on 31/01/2024.

**Shares issued on exercise of performance rights**

Other than as shown in the table above, no other shares were issued on exercise of performance rights up to the date of this report.

### Relationship between remuneration and Company performance

The factors that are considered to affect shareholder return during the last five years is summarised below:

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Share price at end of financial year (\$)	0.115	0.10	0.11	0.07	0.13
Market capitalisation at end of financial year (\$M)	52	35	33	14	24
Loss for the financial year (\$)	(3,216,695)	(2,810,730)	(3,165,323)	(3,065,583)	(2,730,900)
Cash spend on exploration programs (\$)	(6,942,758)	(3,330,951)	(1,852,642)	(5,783,800)	(4,529,184)
Director and Key Management Personnel remuneration (\$)	1,560,338	1,168,943	964,891	968,640	1,441,785

Given that the remuneration is commercially reasonable, the link between remuneration, Company performance and shareholder wealth generation is tenuous, particularly in the exploration and development stage. Share prices are subject to market sentiment towards the sector and increases or decreases may occur independently of executive performance or remuneration.

The Company may issue options or performance rights to provide an incentive for key management personnel which, it is believed, is in line with industry standards and practice and is also believed to align the interests of key management personnel with those of the Company's shareholders.

No remuneration consultants were used in the 2019 financial year.

### Other transactions with key management personnel

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<u>Payment for goods and services:</u>		
Office rent paid to The Gilby McKay Alice Street Partnership, a director-related entity of Anthony Gilby.	<b>32,000</b>	21,000

#### Terms and conditions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

(End of Remuneration Report)

**Company secretary**

Mr Solomon Rowland was appointed Company Secretary on 19 August 2015 and continues in office at the date of this report. Mr Rowland is a commercial lawyer with over 19 years' experience in various private, government and in-house legal roles. Solomon holds a Juris Doctor from the University of Queensland.

Prior to joining Tlou Energy Limited as Legal Counsel in February 2013, Solomon worked for Crown Law representing various Queensland government departments in a range of legal matters. During his time in government, Solomon was involved in advising government departments on commercial, corporate governance and policy matters as well as representing the state in various courts, tribunals and commissions of Inquiry. Solomon brings many years of experience in commercial, advocacy, administrative and planning and environment law.

**Meetings of directors**

The number of meetings of the consolidated entity's Board of Directors and committees held during the year ended 30 June 2019, and the number of meetings attended by each Director are listed below. The Nomination & Remuneration committee comprises the full board.

	Board / Nomination & Remuneration Committee		Audit Committee		Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
M McIver	7	7	2	2	4	4
A Gilby	7	7	2	2	-	-
G Gabaake	6	7	-	-	3	4
C Cloonan	7	7	2	2	-	-
H Swire	7	7	-	-	4	4
L Mohohlo	6	7	2	2	-	-

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

**Shares under option**

There were no unissued ordinary shares of Tlou Energy Limited under option at the date of this report.

Issued performance rights at the date of this report are as follows:

Vesting Date	Exercise Price	1/07/2018	Issued	Exercised	Expired	30/06/2019
19 October 2018	\$0.165	-	2,475,000	-	-	2,475,000
19 October 2018	\$0.22	-	2,475,000	-	-	2,475,000
31 January 2017	\$0.28	2,275,000	-	-	-	2,275,000
		<u>2,275,000</u>	<u>4,950,000</u>	-	-	<u>7,225,000</u>

**Shares issued on the exercise of options**

Other than those disclosed in the table above there were no ordinary shares of Tlou Energy Limited issued during the year ended 30 June 2019 on the exercise of options granted or up to the date of this report.

**Indemnity and insurance of officers**

The consolidated entity has indemnified the Directors and executives of the consolidated entity for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the consolidated entity paid a premium in respect of a contract to insure the Directors and executives of the consolidated entity against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

**Indemnity and insurance of auditor**

The consolidated entity has not, during or since the financial year, indemnified or agreed to indemnify the auditor of the consolidated entity or any related entity against a liability incurred by the auditor.

During the financial year, the consolidated entity has not paid a premium in respect of a contract to insure the auditor of the consolidated entity or any related entity.

**Proceedings on behalf of the Company**

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

**Currency and rounding**

The financial report is presented in Australian dollars and amounts are rounded to the nearest dollar.

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* can be found on page 22.

**Auditor**

BDO Audit Pty Ltd continues in office in accordance with section 327 of the *Corporations Act 2001*.

**Non-audit services**

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the consolidated entity are important.

The Board of Directors has considered the position and, in accordance with advice received from the Audit Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

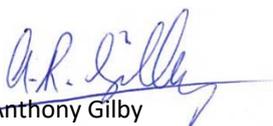
- all non-audit services have been reviewed to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

Details of the amounts paid or payable to the auditor for non-audit services provided during the year are set out below.

	<b>2019</b>	<b>2018</b>
	\$	\$
Non-audit services - BDO Australia		
Tax consulting and compliance services	8,400	11,810
BSE listing	-	4,500
Corporate finance services	-	30,000
Total	<b>8,400</b>	<b>46,310</b>

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the Directors



Anthony Gilby  
Director

Brisbane, 27 August 2019

## 2019 Annual Reserves Statement

Tlou Energy Limited is pleased to present its Annual Reserves Statement for the period ending 30 June 2019. SRK Consulting (Australasia) Pty Ltd ('SRK') upgraded the Company's reserves during the prior reporting period. There has been no adjustment to the net gas reserves and contingent resources of the Company since the upgraded reserves were announced on 20 February 2018. Please refer to the ASX announcement on 20 February 2018 for full details of the consolidated entity's gas reserves and contingent resources.

Having conducted a review of its gas reserves and resources position during the reporting period and satisfying itself that there was no new data that might materially increase the reserves or resources estimates reported during the reporting period, the Company hereby presents the net gas reserves and contingent resources on a combined basis as well as for each of its individual tenements as at 30 June 2019:

Location	Project	Tlou Interest	Gas Reserves (BCF)					
			30/06/2019	30/06/2018	30/06/2019	30/06/2018	30/06/2019	30/06/2018
			1P*	1P	2P*	2P	3P	3P
Karoo Basin Botswana	Lesedi CBM (all coal seams) PL001/2004, ML 2017/18L	100%	0.34	0.34	25.2	25.2	252	252
Karoo Basin Botswana	Mamba CBM (Lower Morupule coal) PL238/2014 – PL241/2014	100%	0.01	0.01	15.5	15.5	175	175
Karoo Basin Botswana	PL003/2004, PL035/2000, PL037/2000	100%	-	-	-	-	-	-
<b>Total</b>			<b>0.35</b>	<b>0.35</b>	<b>40.7</b>	<b>40.7</b>	<b>427</b>	<b>427</b>

Location	Project	Tlou Interest	Gas Contingent Resource (BCF)					
			30/06/2019	30/06/2018	30/06/2019	30/06/2018	30/06/2019	30/06/2018
			1C	1C	2C**	2C**	3C	3C
Karoo Basin Botswana	Lesedi CBM (all coal seams) PL001/2004, ML 2017/18L	100%	4.6	4.6	214	214	3,043	3,043
Karoo Basin Botswana	Mamba CBM (Lower Morupule coal) PL238/2014 – PL241/2014	100%	-	-	-	-	-	-
Karoo Basin Botswana	PL003/2004, PL035/2000, PL037/2000	100%	-	-	-	-	-	-
<b>Total</b>			<b>4.6</b>	<b>4.6</b>	<b>214</b>	<b>214</b>	<b>3,043</b>	<b>3,043</b>

**ASX Listing Rules Annual Report Requirements****\*Listing Rule 5.39.1:**

- All 1P and 2P petroleum reserves recorded in the table are undeveloped and are attributable to unconventional gas.
- 100% of all 1P and 2P petroleum reserves are located in the Karoo Basin in Botswana.

**\*Listing Rule 5.39.2:**

- All 1P and 2P petroleum reserves reported are based on unconventional petroleum resources.

**Listing Rule 5.39.3:**

- The table shows the 2P and 3P petroleum reserves as at 30 June 2019 and comparative petroleum reserves certified at 30 June 2018.

**Governance Arrangements and Internal Controls Listing Rule 5.39.5:**

- Tlou Energy has obtained all its gas reserves and resources reported as at 30 June 2019 from external independent consultants who are qualified petroleum reserves and resource evaluators as prescribed by the ASX Listing Rules.
- Tlou Energy estimates and reports its petroleum reserves and resources in accordance with the definitions and guidelines of the Petroleum Resources Management System 2007, published by the Society of Petroleum Engineers (SPE PRMS).
- To ensure the integrity and reliability of data used in the reserves estimation process, the raw data is reviewed by senior reservoir and geological staff and consultants at Tlou Energy before being provided to the independent reserve certifiers. Tlou Energy has not and does not currently intend to conduct internal reviews of petroleum reserves preferring to appoint independent external experts prior to reporting any updated estimates of reserves or resources so as to ensure an independent and rigorous review of its data.
- Tlou Energy reviews and updates its gas reserves and resources position on an annual basis to ensure that if there is any new data that might affect the reserves or resources estimates of the Company steps can be taken to ensure that the estimates are adjusted accordingly.

**\*\* Listing Rule 5.40.1:**

- All 2C contingent resources recorded in the table are undeveloped. 100% of the reported 2C contingent resource is attributable to unconventional gas.
- The geographical areas where the 2C contingent resources are located is the Karoo Basin in Botswana.

**Listing Rule 5.40.2:**

- The table shows the 2C and 3C contingent resources as at 30 June 2019 as against the previous year. The net 2C and 3C contingent resources did not increase from the 2018 year to the 2019 year.
- There were no other changes to the 2C and 3C contingent resources since the announcement on 20 February 2018.

**Listing Rule 5.44:**

- The estimates of Reserves and Contingent Resources appearing in the 2019 Annual Reserves Statement for Tlou Energy Limited and its subsidiaries are based on, and fairly represent, information and supporting documentation determined by the various qualified petroleum reserves and resource evaluators listed below.
- The gas reserves and resource estimates for the Lesedi CBM Project provided in this report were released to the Market on 20 February 2018 ('Announcement'). Tlou Energy confirms that it is not aware of any new information or data that materially affects the information included in the Announcement and that all of the material assumptions and technical parameters underpinning the estimates in the Announcement continue to apply and have not materially changed. The gas reserve and resource estimates are based on and fairly represents, information and supporting documentation and were determined by Dr. Bruce Alan McConachie of SRK Consulting (Australasia) Pty Ltd, in accordance with Petroleum Resource Management System guidelines. Dr. McConachie is considered to be a qualified person as defined under the ASX Listing Rule 5.42 and has given his consent to the use of the resource figures in the form and context in which they appear in this report.

**Notes to Net Reserves and Resources Table:**

- 1) Gas Reserve and Resource numbers have been rounded to the nearest whole number.
- 2) Gas Resource numbers have been rounded to the nearest tenth for amounts less than 100 BCF, otherwise to the nearest whole number.
- 3) Tlou's Gas Reserves have not been adjusted for fuel or shrinkage and have been calculated at the wellhead (which is the reference point for the purposes of Listing Rule 5.26.5).
- 4) Contingent Gas Resources are (100%) Unrisked Gross and are derived from the SRK certification at 31 March 2015 for all coal seams (as previously announced by Tlou on 9 April 2015) with adjustment for the gas volumes which have now been certified by SRK in the Gas Reserves category.
- 5) ASX Listing Rule 5.28.2 Statement relating to Prospective Resources:  
The estimated quantities of petroleum gas that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.
- 6) Prospective Gas Resources are (100%) Unrisked Gross and are derived from a report to Tlou from Netherland, Sewell and Associates Inc (NSAI) dated 16th February 2012 regarding certification for all coal seams located in the remaining prospecting licences (as previously announced by Tlou in its prospectus dated 20 February 2013).

## 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 of Tlou Energy Limited for the year ended 30 June 2019, 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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, 27 August 2019

## Consolidated Statement of Comprehensive Income for the year ended 30 June 2019

	Note	Consolidated	
		June 2019 \$	June 2018 \$
Interest income		6,933	883
<b>Expenses</b>			
Employee benefits expense	3	(1,109,658)	(998,700)
Depreciation expense		(555,675)	(204,788)
Foreign exchange gain/(loss)		119,277	194,706
Share issue costs		-	(176,685)
Performance rights expense	3	(377,305)	(199,624)
Professional fees		(168,072)	(218,862)
Corporate expenses		(7,280)	(17,510)
Occupancy costs	3	(63,592)	(53,524)
Other expenses	3	(1,061,323)	(1,136,626)
<b>LOSS BEFORE INCOME TAX</b>		<b>(3,216,695)</b>	<b>(2,810,730)</b>
Income tax		-	-
<b>LOSS FOR THE PERIOD</b>		<b>(3,216,695)</b>	<b>(2,810,730)</b>
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>			
<b>Items that may be reclassified to profit or loss</b>			
Exchange differences on translation of foreign operations		1,355,609	413,563
Tax effect	4	-	-
<b>TOTAL OTHER COMPREHENSIVE INCOME/(LOSS)</b>		<b>1,355,609</b>	<b>413,563</b>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS)</b>		<b>(1,861,086)</b>	<b>(2,397,167)</b>
<b>Earnings per share</b>			
		Cents	Cents
Basic loss per share	5	(0.8)	(0.9)
Diluted loss per share	5	(0.8)	(0.9)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

## Consolidated Statement of Financial Position as at 30 June 2019

	Note	Consolidated	
		June 2019	June 2018
		\$	\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	6	5,204,948	7,019,345
Trade and other receivables		430,351	194,814
Other current assets		77,535	364,956
<b>TOTAL CURRENT ASSETS</b>		<b>5,712,834</b>	<b>7,579,115</b>
<b>NON-CURRENT ASSETS</b>			
Exploration and evaluation assets	8	60,896,127	52,861,961
Other non-current assets	9	770,750	652,522
Property, plant and equipment	7	1,867,025	440,683
<b>TOTAL NON-CURRENT ASSETS</b>		<b>63,533,902</b>	<b>53,955,166</b>
<b>TOTAL ASSETS</b>		<b>69,246,736</b>	<b>61,534,281</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	221,404	258,024
Provisions	11	140,357	215,183
<b>TOTAL CURRENT LIABILITIES</b>		<b>361,761</b>	<b>473,207</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		369,353	369,353
Provisions	11	115,000	97,000
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>484,353</b>	<b>466,353</b>
<b>TOTAL LIABILITIES</b>		<b>846,114</b>	<b>939,560</b>
<b>NET ASSETS</b>		<b>68,400,622</b>	<b>60,594,721</b>
<b>EQUITY</b>			
Contributed equity	12	99,753,504	90,463,822
Reserves		(1,172,054)	(2,904,968)
Accumulated losses		(30,180,828)	(26,964,133)
<b>TOTAL EQUITY</b>		<b>68,400,622</b>	<b>60,594,721</b>

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

## Consolidated Statement of Changes in Equity for the year ended 30 June 2019

	Contributed Equity	Share Based Payments Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total
	\$	\$	\$	\$	\$
<b>Balance at 1 July 2017</b>	83,380,184	520,500	(3,627,932)	(24,153,403)	56,119,349
Loss for the period	-	-	-	(2,810,730)	(2,810,730)
Other comprehensive income, net of tax	-	-	413,563	-	413,563
Total comprehensive income	-	-	413,563	(2,810,730)	(2,397,167)
<b>Transactions with owners in their capacity as owners</b>					
Share based payments	-	199,624	-	-	199,624
Transfers	410,723	(410,723)	-	-	-
Shares issued, net of costs	6,672,915	-	-	-	6,672,915
	7,083,638	(211,099)	-	-	6,872,539
<b>Balance at 30 June 2018</b>	90,463,822	309,401	(3,214,369)	(26,964,133)	60,594,721
<b>Balance at 1 July 2018</b>					
	90,463,822	309,401	(3,214,369)	(26,964,133)	60,594,721
Loss for the period	-	-	-	(3,216,695)	(3,216,695)
Other comprehensive income, net of tax	-	-	1,355,609	-	1,355,609
Total comprehensive income	-	-	1,355,609	(3,216,695)	(1,861,086)
<b>Transactions with owners in their capacity as owners</b>					
Share based payments	-	377,305	-	-	377,305
Shares issued, net of costs	9,289,682	-	-	-	9,289,682
	9,289,682	377,305	-	-	9,666,987
<b>Balance at 30 June 2019</b>	99,753,504	686,706	(1,858,760)	(30,180,828)	68,400,622

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

## Consolidated Statement of Cash Flows for the year ended 30 June 2019

	Note	Consolidated	
		June 2019 \$	June 2018 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Payments to suppliers and employees (inclusive of GST and VAT)		(2,749,259)	(2,845,889)
Interest received		6,933	883
GST and VAT received		682,516	262,111
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	22	<b>(2,059,810)</b>	<b>(2,582,895)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for exploration and evaluation assets		(6,942,758)	(3,330,951)
Payment for property, plant and equipment		(1,987,503)	(562,062)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(8,930,261)</b>	<b>(3,893,013)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		9,595,592	6,894,517
Share issue costs		(305,910)	(237,767)
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>		<b>9,289,682</b>	<b>6,656,750</b>
Net (decrease)/increase in cash held		(1,700,389)	180,842
Cash at the beginning of the period		7,019,345	6,727,424
Effects of exchange rate changes on cash		(114,008)	111,079
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	6	<b>5,204,948</b>	<b>7,019,345</b>

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

## Notes to the financial statements

### Note 1. Significant accounting policies

#### Introduction

This financial report includes the consolidated financial statements of Tlou Energy Limited (the “Company”) and its controlled entities (together referred to as the “consolidated entity” or the “group”).

The separate financial statements of the parent entity, Tlou Energy Limited, have not been presented within this financial report as permitted by the *Corporations Act 2001*. Supplementary information about the parent entity is disclosed in note 25.

Tlou Energy Limited is a public company, incorporated and domiciled in Australia. Its registered office and principal place of business is 210 Alice St, Brisbane, QLD 4000, Australia.

The following is a summary of the material and principal accounting policies adopted by the consolidated entity in the preparation of the financial report. The accounting policies have been consistently applied to all the years presented, unless otherwise stated.

#### Operations and principal activities

The principal activity of the consolidated entity is the exploration and evaluation of assets in Southern Africa to identify and develop CBM resources. No revenue from this activity has been earned to date, as the consolidated entity is still in the exploration and evaluation stage.

#### Currency

The financial report is presented in Australian dollars, rounded to the nearest dollar, which is the functional currency of the parent entity.

#### Authorisation of financial report

The financial report was authorised for issue on 27 August 2019.

#### Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Tlou Energy Limited is a for-profit entity for the purposes of preparing the financial statements.

#### *Compliance with IFRS*

The consolidated financial statements of Tlou Energy Limited also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

#### *Historical cost convention*

The consolidated financial statements have been prepared on an accruals basis and are based on historical costs.

#### *Critical accounting estimates*

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

#### *Foreign currency transactions*

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

## Notes to the financial statements (continued)

## Note 1 Significant accounting policies (continued)

**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 companies, such as Tlou Energy Limited, find it necessary on a regular basis to raise additional cash funds for future exploration activity and meet other necessary corporate expenditure. The Company has recently completed a capital raising which is expected to fund ongoing operations and working capital requirements for the next 12 months. Subject to the results of these operations the consolidated entity may 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 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 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 financial report does not include adjustments relating to the recoverability or classification of recorded assets amounts or to the amounts or classification of liabilities that might be necessary should the consolidated entity not be able to continue as a going concern.

**Accounting Policies****(a) Principles of consolidation**

Subsidiaries are all entities (including structured entities) over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the consolidated entity.

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

**(b) Revenue recognition***Interest*

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

*Other revenue*

Other revenue is recognised when it is received or when the right to receive payment is established.

Notes to the financial statements (continued)

Note 1 Significant accounting policies (continued)

**(c) Impairment of non-financial assets**

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs.

Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

**(d) Goods and Services Tax ('GST') and other similar taxes**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the consolidated statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

**(e) Comparative figures**

When required by accounting standards comparative figures have been adjusted to conform to changes in presentation for the current financial year.

**(f) New Accounting Standards and Interpretations**

The consolidated entity has adopted all new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2018. The consolidated entity did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

A number of new or amended standards became applicable for the current reporting period and the group had to change its accounting policies as a result of adopting the following standards:

- AASB 9 *Financial Instruments*; and
- AASB 15 *Revenue from Contracts with Customers*.

The impact of the adoption of these standards and the new accounting policies are disclosed below. The other standards did not have any impact on the group's accounting policies and did not require retrospective adjustments.

**AASB 15 Revenue from Contracts with Customers – Impact of adoption**

The group has adopted AASB 15 Revenue from Contracts with Customers from 1 July 2018. In accordance with the transition provisions in AASB 15, the group has adopted the new rules retrospectively however there was no material impact on the amounts disclosed previously and as a result there has been no restatement required as a result of reclassification or remeasurement and no change to the previously disclosed accounting policies.

Notes to the financial statements (continued)

Note 1 Significant accounting policies (continued)

### **AASB 9 Financial Instruments – Impact of adoption**

AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of AASB 9 Financial Instruments from 1 July 2018 resulted in changes in accounting policies. The new accounting policies are set out in note below. In accordance with the transitional provisions in AASB 9, comparative figures have not been restated.

#### *(i) Classification and Measurement*

On 1 July 2018 (the date of initial application of AASB 9), the Group's management has assessed which business models apply to the financial assets held by the group and has classified its financial instruments into the appropriate AASB 9 categories. There were no changes to the classification and measurement of financial assets.

#### *(ii) Impairment of financial assets*

The Group has one type of financial asset that is subject to AASB 9's new expected credit loss model, being trade and other receivables.

The group was required to revise its impairment methodology under AASB 9. There was no material impact of the change in impairment methodology on the group's accumulated losses and equity.

While cash and cash equivalents are also subject to the impairment requirements of AASB 9, there was no material impairment loss identified.

### **AASB 9 Financial Instruments – Accounting policies applied**

#### *Classification*

From 1 July 2018, the group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

#### Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

## Notes to the financial statements (continued)

## Note 1 Significant accounting policies (continued)

*Debt instruments*

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. The Group's financial assets (cash and cash equivalents and trade and other receivables) are under this measurement category:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

*Impairment*

From 1 July 2018, the group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables

**(g) New Standards and Interpretations not yet adopted**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods. The consolidated entity has decided against early adoption of these standards. The consolidated entity's assessment of the impact of these new standards and interpretations is set out below:

**AASB 16: Leases**

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard include:

- recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-to-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
- by applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and
- additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application. The only item considered to be an operating lease is the lease or office space. The amount of this lease is not considered material, so no change will be recognised in the financial statements in relation to this standard.

Notes to the financial statements (continued)

**Note 2. Critical accounting judgements, estimates and assumptions**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

*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.

*Deferred Tax assets*

The Company is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the worldwide provision for income taxes. There are certain transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity estimates its tax liabilities based on the consolidated entity's understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

In addition, the consolidated entity has recognised deferred tax assets relating to carried forward tax losses to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same subsidiary against which the unused tax losses can be utilised. However, utilisation of the tax losses also depends on the ability of the entity, which is not part of the tax consolidated group, to satisfy certain tests at the time the losses are recouped. Due to the parent entity acquiring the entity that holds the losses it is expected that the entity will fail to satisfy the continuity of ownership test and therefore has to rely on the same business test. As at 30 June 2019 the consolidated entity has not received advice that the losses are unavailable, however should this change in the future the consolidated entity may be required to derecognise these losses.

## Notes to the financial statements (continued)

**Note 3. Expenses**

	Consolidated	
	June 2019	June 2018
	\$	\$
Loss before income tax includes the following specific expenses:		
Employee benefits expense		
• Defined contribution superannuation expense	69,729	57,616
• Performance rights	377,305	199,624
• Other employee benefits expense	1,039,929	941,084
	<u>1,486,963</u>	<u>1,198,324</u>
Occupancy costs		
• Rental expense relating to operating leases - minimum lease rentals	61,219	53,524
• Other occupancy costs	2,373	-
	<u>63,592</u>	<u>53,524</u>
Other expenses include the following specific items:		
• Travel and accommodation costs	189,090	198,056
• Consultants	125,492	327,238
• Stock exchange, advisory, secretarial fees	357,619	264,438
• Insurance	72,783	55,694

**Note 4. Income Tax**

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses and under and over provision in prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

## Notes to the financial statements (continued)

## Note 4 Income tax (continued)

	Consolidated	
	June 2019	June 2018
	\$	\$
Loss before income tax	<b>(3,216,695)</b>	(2,810,730)
Tax at the domestic tax rates applicable to profits in the country concerned	<b>(884,591)</b>	(772,951)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Other non-deductible items	<b>(437,049)</b>	578,713
Difference in overseas tax rates	<b>(81,849)</b>	56,833
Previously unrecognised tax losses used to reduce deferred tax expense		-
Deferred tax asset not recognised	<b>1,403,489</b>	137,404
Income tax benefit	-	-
<b>Recognised deferred tax assets</b>		
Unused tax losses	<b>9,777,322</b>	7,223,446
	<b>9,777,322</b>	7,223,446
<b>Recognised deferred tax liabilities</b>		
Assessable temporary differences	<b>10,146,675</b>	7,592,799
	<b>10,146,675</b>	7,592,799
<b>Net deferred tax liability recognised</b>	<b>369,353</b>	369,353
<b>Unrecognised temporary differences and tax losses</b>		
Unused tax losses and temporary differences for which no deferred tax asset has been recognised	<b>36,558,768</b>	34,834,624

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the consolidated entity can utilise these benefits.

**Note 5. Earnings per share***Basic and diluted earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to the owners of Tlou Energy Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

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

	Consolidated	
	June 2019	June 2018
	\$	\$
(a) Reconciliation of earnings used in calculating basic and diluted loss per share:		
Loss for the year attributable to owners of Tlou Energy Limited	<b>(3,216,695)</b>	(2,810,730)
Loss used in the calculation of the basic and dilutive loss per share	<b>(3,216,695)</b>	(2,810,730)
(b) Weighted average number of ordinary shares used as the denominator		
Number used in calculating basic and diluted loss per share	Number 414,964,965	Number 319,100,085

Options and performance rights are considered to be "potential ordinary shares" but were anti-dilutive in nature and therefore the diluted loss per share is the same as the basic loss per share.

## Notes to the financial statements (continued)

**Note 6. Cash and Cash Equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the consolidated statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the consolidated statement of financial position.

	Consolidated	
	June 2019	June 2018
	\$	\$
Cash at bank	5,204,948	7,019,345
	<b>5,204,948</b>	<b>7,019,345</b>

**Note 7. Property, Plant and Equipment**

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 land) over their expected useful lives as follows:

Plant and equipment      3-7 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.

	Consolidated	
	June 2019	June 2018
	\$	\$
Plant and equipment at cost	4,334,656	2,289,826
Accumulated depreciation	(2,467,631)	(1,849,143)
	<b>1,867,025</b>	<b>440,683</b>

**Movements in Carrying Amounts**

Movement in the carrying amount of plant and equipment between the beginning and the end of the current financial year:

Balance at the beginning of year	440,683	320,739
Additions	1,963,765	320,928
Depreciation	(555,675)	(204,788)
Foreign exchange movements	18,252	3,804
Carrying amount at the end of year	<b>1,867,025</b>	<b>440,683</b>

Notes to the financial statements (continued)

**Note 8. Exploration and Evaluation Assets**

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.

	<b>Consolidated</b>	
	<b>June 2019</b>	<b>June 2018</b>
	<b>\$</b>	<b>\$</b>
Exploration and evaluation assets	<b>60,896,127</b>	52,861,961
	<b>60,896,127</b>	52,861,961
<b>Movements in exploration and evaluation assets</b>		
Balance at the beginning of period	<b>52,861,961</b>	49,328,038
Exploration and evaluation expenditure during the year	<b>6,554,654</b>	3,109,241
Foreign currency translation	<b>1,479,512</b>	424,682
Balance at the end of period	<b>60,896,127</b>	52,861,961

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.

There is a risk that one or more of the exploration licences will not be extended, or that the terms of the extension are not favourable to Tlou. This could have an adverse impact on the performance of Tlou. The consolidated entity is not aware of any reasons why the licences will not be renewed.

**Note 9. Other non-current assets**

Inventory and well consumables are valued at lower of cost or net realisable value. Inventory and well consumables are allocated to exploration and evaluation expenditure when the assets are used in operations.

	<b>Consolidated</b>	
	<b>June 2019</b>	<b>June 2018</b>
	<b>\$</b>	<b>\$</b>
Inventory and well consumables	<b>770,750</b>	652,522
	<b>770,750</b>	652,522

Notes to the financial statements (continued)

**Note 10. Trade and Other Payables**

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

	Consolidated	
	June 2019	June 2018
	\$	\$
<b>Current</b>		
Trade payables	84,799	152,737
Accruals	108,690	105,249
Other payables	27,915	38
	<b>221,404</b>	<b>258,024</b>

The carrying values of trade and other payables approximate fair values due to short-term nature of the amounts. These are non-interest bearing.

**Note 11. Provisions**

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

*Restoration*

Both for close down and restoration and for environmental clean-up costs, a provision is made in the accounting period when the related disturbance occurs, based on the net present value of estimated future costs. The amortisation or 'unwinding' of the discount applied in establishing the net present value of provision is charged as a finance cost to the consolidated statement of comprehensive income in each accounting period.

For close down and restoration costs, which include the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas, movements in provision other than the amortisation of the discount, such as those resulting from changes in the cost estimates, lives of operations or discount rates, are capitalised into the carrying amount of development and amortised against future production.

*Rehabilitation*

The provision represents the estimated costs to rehabilitate wells in licences held by the consolidated entity. This provision has been calculated based on the number of wells which require rehabilitation and the expected costs to rehabilitate each well, taking into consideration the type of well and its location.

*Employee benefits**Wages and salaries and annual leave*

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

## Notes to the financial statements (continued)

## Note 11 Provisions (continued)

*Long service leave*

The liability for long service leave is recognised in current and non-current liabilities, depending on the unconditional right to defer settlement of the liability for at least 12 months after the reporting date. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

*Severance pay*

As per the Botswana Labour a provision is calculated for each Botswana based employee of one day per month of service, which can be paid out after 60 months or when employment ends. The benefit rises to two days per month after the first 60 months.

	<b>Consolidated</b>	
	<b>June 2019</b>	<b>June 2018</b>
	<b>\$</b>	<b>\$</b>
<b>Current</b>		
Employee benefits	<b>64,248</b>	59,214
Employee benefits - Botswana severance	<b>76,109</b>	155,969
	<b>140,357</b>	215,183
<b>Non-current</b>		
Rehabilitation	<b>115,000</b>	97,000
	<b>115,000</b>	97,000
<b>Movements in rehabilitation provision during the year</b>		
Balance at the beginning of the year	<b>97,000</b>	94,000
Rehabilitation required on wells drilled during the year	<b>18,000</b>	3,000
Carrying amount at the end of the year	<b>115,000</b>	97,000

## Employee benefits – Botswana Severance

A provision has been recognised for employee benefits relating to severance pay payable in Botswana.

## Notes to the financial statements (continued)

**Note 12. 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.

	Consolidated			
	June 2019	June 2018	June 2019	June 2018
	Shares	Shares	\$	\$
Opening balance	354,224,275	304,042,848	90,463,822	83,380,184
Issue of ordinary shares during the year*	95,955,910	50,181,427	9,595,591	6,894,517
Share issue costs	-	-	(305,909)	(221,602)
Transfer from share based payment reserve	-	-	-	410,723
Ordinary shares - fully paid	<b>450,180,185</b>	<b>354,224,275</b>	<b>99,753,504</b>	<b>90,463,822</b>

\*Shares issued during the year and the issue price of each issue is as follows:

	Issue Date	No. of Shares	Issue Price (AUD)
Entitlement Offer & Additional Placement	13-Jul-18	54,889,260	\$0.10
Placement (Australia)	11-Apr-19	12,000,000	\$0.10
Placement (Botswana)	26-Apr-19	29,066,650	\$0.10

**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 30 June 2019, there were no outstanding options for ordinary shares in Tlou Energy Limited (2018: Nil). The following performance rights were on issue:

Performance rights:

Vesting Date	Exercise Price	1/07/2018	Issued	Exercised	Expired	30/06/2019
19 October 2018	\$0.165	-	2,475,000	-	-	2,475,000
19 October 2018	\$0.22	-	2,475,000	-	-	2,475,000
31 January 2017	\$0.28	2,275,000	-	-	-	2,275,000
		<u>2,275,000</u>	<u>4,950,000</u>	<u>-</u>	<u>-</u>	<u>7,225,000</u>

Refer to note 14 for details of performance rights valuation.

**Capital risk management**

The capital structure of the consolidated entity consists of equity attributable to equity holders of the parent entity, comprising issued capital and reserves as disclosed in the Consolidated Statement of Changes in Equity.

When managing capital, management's objective is to ensure the parent entity continues as a going concern and to maintain a structure that ensures the lowest cost of capital available and to ensure adequate capital is available for exploration and evaluation of tenements. In order to maintain or adjust the capital structure, the consolidated entity may seek to issue new shares. Consistent with other exploration companies, the consolidated entity, including the parent entity monitors capital on the basis of forecast exploration and development expenditure required to reach a stage which permits a reasonable assessment of the existence or otherwise of an economically recoverable reserve.

There were no changes in the consolidated entity's approach to capital management during the year.

The consolidated entity is not subject to externally imposed capital requirements.

Notes to the financial statements (continued)

**Note 13. Reserves**

**Foreign Currency Translation Reserve**

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

The financial report is presented in Australian dollars rounded to the nearest dollar, which is Tlou Energy Limited's functional and presentation currency.

*Foreign operations*

The assets and liabilities of foreign operations are translated into functional currency using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into functional currency using the average exchange rates, which approximate the rate at the date of the transaction, for the period. All resulting foreign exchange differences are recognised in the foreign currency translation reserve in equity. The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

**Share Based Payments Reserve**

The share-based payments reserve is used to record the share based payment associated with options granted to employees and others under equity-settled share based payment arrangements.

**Note 14. Share-based payments**

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

## Notes to the financial statements (continued)

## Note 14 Share based payments (continued)

**Employee Share Options and Performance Rights**

Share Options and Performance Rights may be granted to certain personnel of the Company on terms determined by the directors or otherwise approved by the Company at a general meeting.

Share options are granted for no consideration. Options and entitlements to the options are vested on a time basis and/or on specific performance-based criteria such as share price increases or reserves certification. Options granted as described above carry no dividend or voting rights. When exercisable, each option is convertible to one ordinary share.

Performance Rights are linked to the share price performance of the Company, ensuring alignment with the interests of the Company's shareholders. For the Performance Rights that are issued but not yet exercised at the date of this report to vest and, therefore, become exercisable by a participant, certain performance conditions are required to be met as set out below. On vesting, holders of Performance Rights will be entitled to acquire Tlou Energy Limited ordinary shares at nil cost.

Performance rights outstanding at the date of this report:

No. of Performance Rights	Reference	Date of Approval	Share price at approval date	Exercise Price
2,475,000	(i)	17-Oct-18	\$0.11	\$0.165
2,475,000	(ii)	17-Oct-18	\$0.11	\$0.22
2,275,000	(iii)	10-Nov-16	\$0.14	\$0.28

	Performance Condition
(i)	The closing price of Shares being 50% or more above the price at the date of shareholder approval for a period of 10 consecutive trading days.
(ii)	The closing price of Shares being 100% or more above the price at the date of shareholder approval for a period of 10 consecutive trading days.
(iii)	The closing price of Shares being 100% or more above the price at the date of shareholder approval for a period of 10 consecutive trading days.

The expense recognised in the consolidated statement of comprehensive income in relation to share based payments amounts to \$377,305 (2018: \$199,624). The amount assessed as fair value at the grant date is allocated equally over the period from grant date to vesting date. The fair value at grant date is determined using generally accepted valuation techniques that take into account exercise price, the term of the option or performance rights, 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 rights and an appropriate probability weighting to factor the likelihood of the satisfaction of non-vesting conditions.

Inputs used to value the performance rights on issue are as follows:

Reference	(i)	(ii)	(iii)
Grant date	17/10/18	17/10/18	10/11/16
Expected volatility (%)	100	100	100
Risk-free interest rate (%)	2.55	2.55	2.20
Expected life of (years)	6.3	6.3	7
Weighted average share price (\$)	\$0.165	\$0.22	\$0.28
Model used	Monte Carlo	Monte Carlo	Trinomial

The following table shows the number, movements and exercise price of performance rights for the 2019 year.

Date of Approval	Exercise Price	1/07/2018	Issued	Exercised	Expired	30/06/2019
19 October 2018	\$0.165	-	2,475,000	-	-	2,475,000
19 October 2018	\$0.22	-	2,475,000	-	-	2,475,000
31 January 2017	\$0.28	2,275,000	-	-	-	2,275,000
		<u>2,275,000</u>	<u>4,950,000</u>	<u>-</u>	<u>-</u>	<u>7,225,000</u>

## Notes to the financial statements (continued)

## Note 14 Share based payments (continued)

The following table shows the number, movements and exercise price of performance rights for the 2018 year.

Date of Approval	Exercise Price	01/07/2017	Issued	Exercised	Expired	30/06/2018
31 January 2017	\$0.21	2,275,000	-	2,275,000	-	-
31 January 2017	\$0.28	2,275,000	-	-	-	2,275,000
		<u>4,550,000</u>	<u>-</u>	<u>2,275,000</u>	<u>-</u>	<u>2,275,000</u>

There are no share options outstanding at the end of the 2019 financial year (2018: Nil).

**Expenses arising from share-based payment transactions**

Total expenses arising from share-based payment transaction recognised during the year were as follows:

	Consolidated	
	June 2019	June 2018
	\$	\$
Performance rights	<b>377,305</b>	199,624
	<b>377,305</b>	199,624

**Note 15. Commitments****Leases**

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

**Operating lease commitments**

Commitments for minimum lease payments for non-cancellable operating leases for offices and equipment contracted for but not recognised in the financial statements.

	Consolidated	
	June 2019	June 2018
	\$	\$
Payable - minimum lease payments		
• not later than 12 months	<b>8,250</b>	5,250
• between 12 months and 5 years	-	-
	<b>8,250</b>	5,250

## Notes to the financial statements (continued)

## Note 15 Commitments (continued)

**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. The consolidated entity's proposed expenditure obligations, which are not provided for in the financial statements are as follows:

	Consolidated	
	June 2019	June 2018
Minimum expenditure requirements	\$	\$
• not later than 12 months	251,982	4,153,861
• between 12 months and 5 years	770,913	82,893
	1,022,895	4,236,754

**Note 16. Financial instruments****Overview**

The consolidated entity's principal financial instruments comprise receivables, payables, cash and term deposits. The main risks arising from the consolidated entity's financial assets are interest rate risk, foreign currency risk, credit risk and liquidity risk.

This note presents information about the consolidated entity's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk. Other than as disclosed, there have been no significant changes since the previous financial year to the exposure or management of these risks.

The consolidated entity holds the following financial instruments:

	Consolidated	
	June 2019	June 2018
<b>Financial Assets</b>	\$	\$
Cash and cash equivalents	5,204,948	7,019,345
Trade and other receivables	430,351	194,814
	5,635,299	7,214,159
<b>Financial Liabilities</b>		
Trade and other payables	221,404	258,024
	221,404	258,024

**Financial risk management objectives**

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ageing analysis for credit risk.

Key risks are monitored and reviewed as circumstances change (e.g. acquisition of new entity or project) and policies are created or revised as required. The overall objective of the consolidated entity's financial risk management policy is to support the delivery of the consolidated entity's financial targets whilst protecting future financial security.

Given the nature and size of the business and uncertainty as to the timing and amount of cash inflows and outflows, the consolidated entity does not enter into derivative transactions to mitigate the financial risks. In addition, the consolidated entity's policy is that no trading in financial instruments shall be undertaken for the purpose of making speculative gains. As the consolidated entity's operations change, the Directors will review this policy periodically going forward.

Notes to the financial statements (continued)

Note 16 Financial instruments (continued)

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board reviews and agrees policies for managing the consolidated entity's financial risks as summarised below. These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits.

Risk management is carried out by senior finance executives (finance) under policies approved by the Board of Directors. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units where appropriate.

**(a) Interest rate risk**

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at reporting date whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The consolidated entity is also exposed to earnings volatility on floating rate instruments.

A forward business cash requirement estimate is made, identifying cash requirements for the following period (generally up to one year) and interest rate term deposit information is obtained from a variety of banks over a variety of periods (usually one month up to six-month term deposits) accordingly. The funds to invest are then scheduled in an optimised fashion to maximise interest returns.

**Interest rate sensitivity**

A sensitivity of 1% interest rate has been selected as this is considered reasonable given the current market conditions. A 1% movement in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss		Equity	
	1% increase	1% decrease	1% increase	1% decrease
	\$	\$	\$	\$
<b>Consolidated - 30 June 2019</b>				
Cash and cash equivalents	50,049	(50,049)	50,049	(50,049)
<b>Consolidated - 30 June 2018</b>				
Cash and cash equivalents	70,193	(70,193)	70,193	(70,193)

Interest rate risk on other financial instruments is immaterial.

**(b) Liquidity risk**

Liquidity risk is the risk that the consolidated entity will not be able to meet its financial obligations as they fall due. The Board's approach to managing liquidity is to ensure, as far as possible, that the consolidated entity will always have sufficient liquidity to meet its obligations when due.

Ultimate responsibility for liquidity risk management rests with the Board of Directors. The consolidated entity manages liquidity risk by maintaining adequate reserves and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. This is based on the undiscounted cash flows of the financial liabilities based on the earliest date on which they are required to be paid. At the end of the reporting period the consolidated entity held cash of \$5,204,948 (2018: \$7,019,345).

The following table details the remaining contractual maturity for non-derivative financial liabilities.

	Within	Between	Total Contractual	Carrying
	1 Year	1 & 2 years	Cash Flows	Amount
	\$	\$	\$	\$
<b>Consolidated - 30 June 2019</b>				
Trade and other payables	221,404	-	221,404	221,404
<b>Consolidated - 30 June 2018</b>				
Trade and other payables	258,024	-	258,024	258,024

## Notes to the financial statements (continued)

## Note 16 Financial instruments (continued)

**(c) Foreign exchange risk**

As a result of activities overseas, the consolidated entity's consolidated statement of financial position can be affected by movements in exchange rates. The consolidated entity also has transactional currency exposures. Such exposures arise from transactions denominated in currencies other than the functional currency of the relevant entity.

The consolidated entity's exposure to foreign currency risk primarily arises from the consolidated entity's operations overseas. Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The consolidated entity currently does not engage in any hedging or derivative transactions to manage foreign currency risk. The consolidated entity's policy is to generally convert its local currency to Pula, Rand or US dollars at the time of transaction. The consolidated entity, has on rare occasions, taken the opportunity to move Australian dollars into foreign currency (ahead of a planned requirement for those foreign funds) when exchange rate movements have moved significantly in favour of the Australian dollar, and management considers that the currency movement is extremely likely to move back in subsequent weeks or months. Therefore, the opportunity has been taken to lock in currency at a favourable rate to the consolidated entity. This practice is expected to be the exception, rather than the normal practice.

The consolidated entity's exposure to foreign currency risk at the reporting date, expressed in Australian dollars, was as follows:

	2019 USD A\$	2019 BWP A\$	2019 ZAR A\$	2019 GBP A\$	2018 USD A\$	2018 BWP A\$	2018 ZAR A\$	2018 GBP A\$
<b>Financial Assets</b>								
Cash and cash equivalents	27,884	2,878,496	15,470	1,245,221	18,950	2,895,669	89,615	2,946,349
Trade and other receivables	-	404,063	-	-	-	186,725	-	-
<b>Financial Liabilities</b>								
Trade and other payables	-	(108,858)	-	-	-	(101,457)	-	-
<b>Net Financial Instruments</b>	<b>27,884</b>	<b>3,173,701</b>	<b>15,470</b>	<b>1,245,221</b>	<b>18,950</b>	<b>2,980,937</b>	<b>89,615</b>	<b>2,946,349</b>

**Foreign currency rate sensitivity**

Based on financial instruments held at 30 June 2019, had the Australian dollar strengthened/weakened by 10% the consolidated entity's profit or loss and equity would be impacted as follows:

	Profit or loss		Equity	
	10% Increase	10% Decrease	10% Increase	10% Decrease
2019	\$	\$	\$	\$
Dollar (US)	(2,788)	2,788	(2,788)	2,788
Pula (Botswana)	(317,370)	317,370	(317,370)	317,370
Rand (South Africa)	(1,547)	1,547	(1,547)	1,547
Pound (UK)	(124,522)	124,522	(124,522)	124,522
<b>2018</b>				
Dollar (US)	(1,895)	1,895	(1,895)	1,895
Pula (Botswana)	(298,094)	298,094	(298,094)	298,094
Rand (South Africa)	(8,962)	8,962	(8,962)	8,962
Pound (UK)	(294,635)	294,635	(294,635)	294,635

## Notes to the financial statements (continued)

## Note 16 Financial instruments (continued)

**(d) Credit risk**

Credit risk is the risk of financial loss to the consolidated entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This arises principally from cash and cash equivalents and trade and other receivables. The consolidated entity's exposure and the credit ratings of its counterparties are continuously monitored by the Board of Directors. The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised in the table above.

## Credit Risk Exposures

## Trade and other receivables

Trade and other receivables comprise primarily of VAT and GST refunds due. Where possible the consolidated entity trades with recognised, creditworthy third parties. The receivable balances are monitored on an ongoing basis. The consolidated entity's exposure to expected credit losses is not significant.

## Cash and cash equivalents

The consolidated entity has a significant concentration of credit risk with respect to cash deposits with Westpac Banking Corporation, First National Bank Botswana and First National Bank South Africa. However, significant cash deposits are invested across banks to mitigate credit risk exposure to a particular bank. AAA rated banks are used where possible and non-AAA banks are utilised where commercially attractive returns are available.

**Note 17. Key Management Personnel**

Key management personnel comprise directors and other persons having authority and responsibility for planning, directing and controlling the activities of the consolidated entity.

Detailed remuneration disclosures are provided in the remuneration report on pages 11 to 16.

**Key management personnel compensation**

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	<b>Consolidated</b>	
	<b>June 2019</b>	<b>June 2018</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	<b>1,122,398</b>	945,044
Post-employment benefits	<b>78,136</b>	68,602
Other long-term benefits	<b>57,754</b>	45,612
	<b>1,258,288</b>	1,059,258
Share based payments	<b>302,050</b>	109,685
	<b>1,560,338</b>	1,168,943

Notes to the financial statements (continued)

**Note 18. Auditors' Remuneration**

During the year the following fees were paid or payable for services provided by the auditor of the consolidated entity:

	Consolidated	
	June 2019	June 2018
	\$	\$
Audit services		
Auditing or reviewing the financial statements - BDO Australia	56,500	55,000
Auditing or reviewing the financial statements - BDO Botswana	32,962	27,932
Non-audit services - BDO Australia		
Tax consulting and compliance services	8,400	11,810
BSE Listing	-	4,500
Corporate finance services	-	30,000
Total	97,862	129,242

**Note 19. Contingent Liabilities**

The Directors are not aware of any contingent liabilities (2018: nil).

**Note 20. Related Party Transactions****Parent entity**

The legal parent entity is Tlou Energy Limited.

**Subsidiaries**

Interests in subsidiaries are set out in note 23.

**Transactions with related parties**

The following transactions occurred with related parties:

	Consolidated	
	2019	2018
	\$	\$
<u>Payment for goods and services:</u>		
Office rent paid to The Gilby McKay Alice Street Partnership, a director-related entity of Anthony Gilby.	32,000	21,000

Notes to the financial statements (continued)

**Note 21. Segment Reporting****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 in Southern Africa.

Segment revenue

As at 30 June 2019 no revenue has been derived from its operations (2018: nil).

Segment assets

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

	June 2019	June 2018
	\$	\$
Botswana	63,526,670	53,949,941
Australia	7,232	5,225
	<b>63,533,902</b>	<b>53,955,166</b>

**Note 22. Cash Flow Information**

	Consolidated	
	June 2019	June 2018
	\$	\$
<b>Reconciliation of cash flow from operations</b>		
Loss for the period	(3,216,695)	(2,810,730)
Depreciation	555,675	204,788
Share-based payments	377,305	199,624
Net exchange differences	161,460	35,229
Changes in operating assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
Decrease/(increase) in trade and other receivables	73,149	(28,674)
Decrease/(increase) in other assets	(64)	(1,865)
Increase/(decrease) in trade payables and accruals	9,849	(183,242)
Decrease/(increase) in employee benefits	5,347	(47,017)
Increase/(decrease) in provisions	(25,836)	48,991
	<b>(2,059,810)</b>	<b>(2,582,895)</b>

There were no non-cash investing or financing activities during the year (2018: nil).

## Notes to the financial statements (continued)

**Note 23. Subsidiaries**

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1.

Name of entity	Country of incorporation	Class of shares	Equity holding %	
			June 2019	June 2018
Tlou Energy Botswana (Proprietary) Ltd	Botswana	Ordinary	100	100
Technoleads International Inc	Barbados	Ordinary	100	100
Tlou Energy Exploration (Proprietary) Limited	Botswana	Ordinary	100	100
Sable Energy Holdings (Barbados) Inc	Barbados	Ordinary	100	100
Tlou Energy Resources (Proprietary) Limited	Botswana	Ordinary	100	100
Copia Resources Inc	Barbados	Ordinary	100	100
Tlou Energy Corp Services Botswana (Proprietary) Limited	Botswana	Ordinary	100	100
Madra Holdings (Barbados) Inc	Barbados	Ordinary	100	100
Tlou Energy Solutions (Proprietary) Limited	Botswana	Ordinary	100	100

**Note 24. Matters subsequent to the end of the financial year**

There has not been any matter or circumstance, other than that referred to in this report and disclosed in the financial statements or notes thereto, that has arisen since the end of the period, that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of these operations, or the state of affairs of the consolidated entity in future financial years.

## Notes to the financial statements (continued)

**Note 25. Parent entity disclosures**

	Parent	
	June 2019	June 2018
	\$	\$
Current assets	2,425,557	4,196,540
Non-current assets	30,220,983	30,218,976
<b>Total assets</b>	<b>32,646,540</b>	<b>34,415,516</b>
Current liabilities	160,683	194,898
Total liabilities	160,683	194,898
<b>Net assets</b>	<b>32,485,857</b>	<b>34,220,618</b>
Contributed equity	99,753,504	90,463,822
Share based payment	686,706	309,400
Accumulated losses	(67,954,353)	(56,552,604)
<b>Total equity</b>	<b>32,485,857</b>	<b>34,220,618</b>
Loss for the period	11,401,749	9,177,297
<b>Total comprehensive income</b>	<b>11,401,749</b>	<b>9,177,297</b>

**Commitments, Contingencies and Guarantees of the Parent Entity**

The Parent Entity has no commitments for the acquisition of property, plant and equipment, no contingent assets, contingent liabilities or guarantees at balance date.

## Directors' declaration

In the Directors' opinion:

- the attached financial statements and notes thereto comply with the *Corporations Act 2001*, the Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- the remuneration report as set out in the directors' report for the year ended 30 June 2019 comply with section 300A of the *Corporations Act 2001*; and

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

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

On behalf of the Directors



Anthony Gilby

Director

Brisbane

27 August 2019

## INDEPENDENT AUDITOR'S REPORT

To the members of Tlou Energy Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Tlou Energy Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

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

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with 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* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

### Material uncertainty related to going concern

We draw attention to Note 1 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 opinion is not modified in respect of this matter.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

### Carrying value of exploration and evaluation assets

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>Refer to note 8 in the financial report.</p> <p>The Group carries exploration and evaluation assets as at 30 June 2019 in relation to the application of the Group's accounting policy for exploration and evaluation assets.</p> <p>The recoverability of exploration and evaluation asset is a key audit matter due to:</p> <ul style="list-style-type: none"> <li>• The significance of the total balance; and</li> <li>• The level of procedures undertaken to evaluate management's application of the requirements of AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i> ('AASB 6') in light of any indicators of impairment that may be present.</li> </ul>	<p>Our procedures included, but were not limited to the following:</p> <ul style="list-style-type: none"> <li>• Obtaining evidence that the Group has valid rights to explore in the areas represented by the capitalised exploration and evaluation expenditure by obtaining supporting documentation such as license agreements and also considering whether the Group maintains the tenements in good standing</li> <li>• Making enquiries of management with respect to the status of ongoing exploration programs in the respective areas of interest and assessing the Group's cashflow budget for the level of budgeted spend on exploration projects and held discussions with directors of the Group as to their intentions and strategy</li> <li>• Enquiring of management, reviewing ASX announcements and reviewing directors' minutes to ensure that the Group had not decided to discontinue activities in any applicable areas of interest and to assess whether there are any other facts or circumstances that existed to indicate impairment testing was required.</li> </ul>

### **Other information**

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and the auditor's report thereon.

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

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

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

### **Responsibilities of the directors for the Financial Report**

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

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

### **Auditor's responsibilities for the audit of the Financial Report**

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

[http://www.auasb.gov.au/auditors\\_responsibilities/ar1.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf)

This description forms part of our auditor's report.

## Report on the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 11 to 16 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Tlou Energy Limited, for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit Pty Ltd



T R Mann  
Director

Brisbane, 27 August 2019

## Corporate Governance Statement

The Directors (the “Board”) of Tlou Energy Limited (“Tlou Energy” or “the Company”) are committed to the implementation of the highest standards of corporate governance. In determining what these standards should be, the Board references guidance and supports, where appropriate, the 4<sup>th</sup> edition of the Corporate Governance Principles and Recommendations (“4<sup>th</sup> Edition Recommendations or ASX Recommendations”) established by the ASX Corporate Governance Council (the “Council”).

This statement outlines the key aspects of Tlou Energy’s governance framework and practices. The charters, policies and procedures are reviewed regularly and updated to comply with the law and best practice. This statement contains specific information and discloses the extent to which the Company intends to or is able to follow the 4<sup>th</sup> Edition Recommendations. The charters and policies of the Company can be viewed on Tlou Energy’s website at [www.tlouenergy.com](http://www.tlouenergy.com) (“website”).

The Council’s recommendations are not prescriptive and, if certain recommendations are not appropriate for the Company given its circumstances, it may elect not to adopt that particular practice in limited circumstances. The Company believes that during the reporting period ending 30 June 2019 its practices are, taking into account the size and makeup of the Company, largely consistent with those of the 4<sup>th</sup> Edition Recommendations and where they do not follow a recommendation this statement identifies those that have not been followed and details reasons for non-adherence. Even where there is a deviation from the recommendations the Company continues to review and update its policies and practices in order that it keeps abreast of the growth of the Company, the broadening of its activities, current legislation and good practice.

This Corporate Governance statement reports on the main practices of Tlou Energy and is current as at the 23 August 2019 and has been approved by the Board of Directors.

### Role of the Board

The Board is responsible for ensuring that the Company is managed effectively as well as demonstrating leadership and defining the Company’s strategic objectives. Given the size of the Company and the Board, the Board undertakes an active role in the management of the Company.

The Board’s role and the Company’s Corporate Governance practices are continually being reviewed and updated to reflect the Company’s circumstances and growth. The Board has adopted a Charter which sets out the responsibilities of the Board, its structure and governance, responsibility for approving the Company’s statement of values and ensuring a code of conduct to underpin the desired culture within the entity, as well as the matters expressly reserved to the Board and those delegated to management. A copy of the Charter is available on the Company’s website.

The Board is responsible for determining the strategic direction and objectives of the Company and overseeing management’s achievements against these.

(ASX Recommendation 1.1)

## The Board of Directors

The Board is currently comprised of six (6) Directors. Details of the Directors who held office during the year under review are namely: -

<b>Name of Director</b>	<b>Board Membership</b>	<b>Date of Appointment</b>
Martin Mclver	Non-Executive Chairman	16 September 2010
Anthony Gilby	Managing Director	23 April 2009
Gabaake Gabaake	Executive Director	11 March 2015
Colm Cloonan	Finance Director	11 February 2016
Hugh Swire	Non-Executive Director	22 June 2017
Linah Mohohlo	Non-Executive Director	12 July 2017

The skills, experience and expertise relevant to the position of each Director are set out in the Directors' Report of this Annual Report. Prior to the appointment of a person, or putting forward to shareholders a candidate for election, as a director, the Company undertakes checks which it believes are appropriate to verify a director's character, experience, educations, criminal record and bankruptcy history. The Company will ensure that all material information in its possession relevant to a shareholders decision to elect or re-elect a director is provided to shareholders in the Company's Notice of Annual General Meeting.

(ASX Recommendation 1.2)

Each executive director and senior executive of Tlou Energy has an agreement in writing with the Company which sets out the key terms and conditions of their appointment including their duties, rights and responsibilities. There are no formal agreements with the non-executive directors other than their Deeds of Access and Indemnity. Given the size and operations of the Company at this stage and the experience and skills that the non-executive directors possess the Board has taken the view that it did not believe that there would be any benefit to the Company in doing so. The Board having regard to the changes brought about by the 4<sup>th</sup> Edition Recommendations is now implementing the practice of requiring all directors to enter into an agreement in writing with the Company. It is expected that this will be finalised by the end of the year.

(ASX Recommendation 1.3)

## Company Secretary

The Company Secretary is directly accountable to the Board through the Chairman who the Company Secretary has a direct line of reporting to. The Company Secretary is responsible for advising the Chairman and the Board to manage the day to day governance framework of the Company. The responsibilities of the Company Secretary are contained in the Board Charter a copy of which is available on the Company's website. The decision to appoint or remove the Company Secretary must be made or approved by the Board.

(ASX Recommendation 1.4)

## Diversity Policy

The Company is committed to creating a fair and inclusive work environment that embraces diversity and recognises its contribution to the Company's commercial success. As the Company has a relatively small staff at present the Board does not believe that any benefit would be obtained setting measurable objectives for achieving gender diversity and has not done so. Neither is the Company a 'relevant employer' under the Workplace Gender Equality Act.

A copy of the Company's Diversity Policy can be found on the Company's website.

(ASX Recommendation 1.5)

Improvement in Board processes and effectiveness is a continuing objective and the purpose of the annual Board evaluation is to identify ways to improve performance. The Board has appointed the Chairman, which it believes is the most suitably qualified to carry out the task, as the person responsible for conducting an annual review of the Board's performance.

This process will involve the Chairman circulating to members of the Board a detailed questionnaire on performance indicators and collating the data from the same before discussing with each member of the Board and reviewing performance indicators such as time engaged on Company business, so as to assess the effectiveness of processes structure and contributions made by individual directors.

The Managing Director assesses, annually or as necessary, the performance of all key executives. Both qualitative and quantitative measures will be used consistent with performance targets set annually by the Managing Director in consultation with those executives. The Managing Director reports to the Remuneration and Nomination Committee on their performance and the Remuneration and Nomination Committee will then consider any changes to remuneration and the establishment of new performance targets.

During the reporting period, a review of the Boards performance was carried out by the Chairman.

(ASX Recommendation 1.6)

The Board will assess annually or as necessary the performance of the Managing Director benchmarking his performance against the role description in the employment contract and general industry standards expected of a Managing Director carrying on that role. The Board regularly evaluates management's performance against various criteria and requires senior executives to address the Board on execution of strategy and associated issues. The Chief Executive Officer reviews the performance of the senior executives annually. These evaluations take into account matters such as the achieving of the Company's objectives and reaching of performance criteria.

An executive management review has been carried out for the current reporting period.

(ASX Recommendation 1.7)

### **Structure of Board to Add Value**

The Board comprises three non-executive Directors, including the Chairman, and three executive Directors including Managing Director. The names of the Directors of the Company in office at the date of this report or through the year under review and their qualifications are set out in the section of the Annual Report headed "Directors' Report".

The composition and size of the Board is determined so as to provide the Company with a broad base of industry, business, technical, administrative, financial and corporate skills and experience considered necessary to achieve the strategic objectives of the Company taking into consideration the size of the Company and the nature of its current operations.

The Board considers that, fundamentally, the independence of Directors is based on their capacity to put the best interests of the Company and its shareholders ahead of all other interests, so that Directors are capable of exercising objective independent judgment.

When evaluating candidates, the Board has regard to the potential for conflicts of interest, whether actual or perceived, and the extent or materiality of these in the ongoing assessment of director independence. In this regard the Board has regard to the definition of "independence" in the 4<sup>th</sup> Edition Recommendations. The Board is of the view that the existence of one or more of the relationships in the definition will necessarily result in the relevant Director not being classified as independent, particularly given the criteria outlined above, and that the Company will seek to implement additional safeguards to ensure independence. An overall review of these considerations is conducted by the Board to determine whether individual Directors are independent.

Additional policies and practices, such as Directors not being present during discussions or decision making on matters in which they have or could be seen to potentially have a material conflict of interest, as well as Directors being excluded from taking part in the appointment of third party service providers where the Director has an interest, provide further separation and safeguards to independence. The Board has adopted materiality thresholds in relation to independence, which are contained in the Board Charter and summarised below.

ASX Recommendation 2.4 requires most of the Board to be independent Directors. In addition, ASX Recommendation 2.5 requires the Chairman of the Company to be independent. The Council defines ‘independence’ as being a non-executive director who is not a member of management and who is free from any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the independent exercise of their judgment. Based on this definition, three of the current Directors could not be considered independent by virtue of them being either executives, substantial shareholders of the Company or Directors or Officers of Companies that are substantial shareholders of the Company.

The Chairman (Martin Mclver) if applying the independence criteria in the Principles is considered to be independent.

Martin Mclver has previously not been treated as an independent Director as formally he was employed by a Company that was a substantial shareholder and which was a related party of the former Chairman. Mr Mclver left the employ of that entity in January 2013. Given that effluxion of time, having regard to the materiality of the role and the fact that Mr Mclver meets all of the other criteria to establish independence the Board has (in the absence of Mr Mclver) determined that Mr Mclver is independent.

Hugh Swire and Linah Mohohlo, both of whom are non-executive directors are considered to be independent as they fall within the Council’s definition of ‘independence’ as being a non-executive director who is not a member of management and who is free from any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the independent exercise of their judgment.

Notwithstanding that these 4<sup>th</sup> Edition Recommendations in respect to the composition of the Board are not strictly followed (majority of the Board to be independent) the Company believes that it has achieved in the last 2 years some significant progress to achieving this objective and given its history and that the formation of the Board reflects certain founding members, it is not practical at this stage to have a majority of independent Directors. Therefore, the Board takes the view that the interests of the Shareholders are best served with the Board’s present composition and has resolved that the situation will continue to be monitored as the operations of the Company evolve and appoint appropriately qualified independent Directors as the opportunities and necessity arise.

(ASX Recommendation 2.3)

The Board has established a Nomination and Remuneration Committee which reviews Board membership. This includes considering what other skills that might be necessary for the Company to reach its strategic objectives. As the Board has 3 independent non-executive directors this ASX Recommendation 2.1 can be satisfied with the Committee being constituted by these three directors. A copy of the Remuneration and Nominations Committee Charter is on the Company’s website.

The Committee’s members, the number of times that they have met throughout the reporting period and the member’s attendance at those meetings is recorded in the section of the 2019 Annual Report headed “Directors Report”.

(ASX Recommendation 2.1)

If a Board vacancy becomes available it will be the responsibility of the Nomination and Remuneration Committee to identify the skills, experience and diversity that will best complement the Board and will then embark on a process to identify a candidate who can best meet those criteria. A skills matrix has been developed and adopted by the Board to help assess the relevant criteria of candidates. The Directors believe the skill base of the current Directors is appropriate for the Company given its size and stage of development.

(ASX Recommendation 2.2)

Given the size of the Company there is no formal induction process for new Directors, nor does it have a formal professional development program for existing Directors. The Board does not consider that a formal induction program is necessary given the current size and scope of the Company's operations.

Rather any new Director will be provided with a personalised induction which will be dependent upon the skills and experience that any new Director might possess. Any new Director induction will include comprehensive meetings with senior management and the provision of relevant materials such as all the Company's policies and procedures as well as instruction in relation to these.

All Directors are expected to maintain the skills required to effectively discharge their obligations and are encouraged to undertake continuing professional education such as industry seminars and approved education courses.

(ASX Recommendation 2.6)

## **Board Charter**

The Board operates in accordance with the broad principles set out in its Charter which is regularly reviewed and updated by the Board. It has also adopted a written Code of Conduct which establishes guidelines for its conduct. The purpose of the Code is to ensure that Directors and Executives act honestly, responsibly, legally and ethically and in the best interests of the Company. A copy of the Board Charter can be viewed in the Company's website.

## **Conflicts of Interest**

In accordance with the Corporations Act 2001 and the Company's Constitution, Directors must keep the Board advised on an ongoing basis, of any interest that may lead to a conflict with the interests of the Company. Where the Board believes that there is a significant or material conflict, the Director concerned shall be excluded from all discussions and access to Board papers and the like, and shall not be present at any Directors meeting during the consideration or vote on such a matter.

## **Independence of Professional Advice**

The Board has determined that individual Directors have the right to seek independent professional advice in connection with any of their duties and obligations as Directors of the Company. Before a Director may obtain that advice at the Company's expense, the Director must obtain the approval of the Chairman who will not unreasonably withhold that consent. If appropriate any advice received will be made available to the full Board. No member of the Board availed himself or herself of this entitlement during the year under review.

## **Committees**

### **Audit Committee, Risk Committee and Remuneration & Nomination Committee**

The Board delegates specific responsibilities to various Board Sub-Committees. The Board has established the following standing committees:

- An Audit Committee, which is responsible for overseeing the external and internal auditing functions of the Company's activities;
- A Risk Committee, which comprises representatives of the Board and staff to advise and assist the Board in assessing risk factors associated with the operation of the Company; and
- A Remuneration & Nomination Committee, which is responsible for making recommendations to the Board on recruitment and remuneration packages for executives.

The Board has again this year delegated the specific responsibility of overseeing the Company’s audit obligations to the Audit Committee. The Audit Committee is currently made up of the following members:

- Linah Mohohlo – Independent Chair
- Martin Mclver – Independent Committee Member
- Colm Cloonan - Committee Member
- Anthony Gilby – Committee Member

### **Act Ethically and Responsibly**

The Company in recognition of the importance of ethical and responsible decision making has adopted a Corporate Code of Conduct which sets out ethical standards and a Code of Conduct to which all Directors, and Senior Executives will adhere whilst conducting their duties.

(ASX Recommendation 3.1)

The Code of Conduct for Director and Senior Executives forms part of this Corporate Code of Conduct. It provides as follows: -

All Directors and Senior Executives will: -

1. Actively promote the highest standards of ethics and integrity in carrying out their duties for the Company;
2. Disclose any actual or perceived conflicts of interest of a direct or indirect nature of which they become aware and which they believe could compromise in any way the reputation or performance of the Company;
3. Respect confidentiality of all information of a confidential nature which is acquired in the course of the Company’s business and not disclose or make improper use of such confidential information to any person unless specific authorisation is given for disclosure or disclosure is legally mandated;
4. Deal with the Company’s suppliers, contractors, competitors and each other with the highest level of honesty, fairness and integrity and to observe the rule and spirit of the legal and regulatory environment in which the Company operates;
5. Report any breach of this code of conduct or other inappropriate or unethical conduct to the appropriate authority within the Group; and
6. This Code of Conduct is in addition to the Code of Conduct for all employees which has been adopted by the Board of the Company.

The Company is committed to increasing shareholder value and aims to ensure its shareholders are fully informed as to the true financial position and performance of the Group through timely and accurate disclosure of information and risk management practices and exemplary compliance with the continuous disclosure regime. A copy of the Code of Conduct is available at the Company’s website.

(ASX Recommendation 3.1 and 3.2)

The Company has adopted in compliance of ASX Listing Rule 12.12 a Policy for Trading in Company Securities which is binding on all Directors, senior management, officers, employees and consultants of the Company. The purpose of this policy is to provide a brief summary of the law on insider trading and other relevant laws, set out the restrictions on dealing in the Company’s securities by people who work for or are associated with Company and assist in maintaining market confidence in the integrity of dealings in Tlou Energy securities. The Policy is posted on the Company’s website to ensure that there is public confidence and understanding of the Company’s policies governing trading by “potential insiders”.

All persons covered by the Policy may not deal in the securities in the Company without first seeking and obtaining a written acknowledgement from the Chairman (or in his absence the Company Secretary) or the Company Secretary (or in his absence the Managing Director) prior to any trade, at which time they must confirm that they are not in possession of any unpublished price-sensitive information. The Company Secretary maintains a register of notifications and acknowledgements given in relation to trading in the Company's securities. The policy was reviewed during the year to ensure that it aligns with the requirements of the ASX Listing Rules and the requirements of other regulatory regimes under which the Company operates (including in respect of its AIM quotation, the AIM Rules for Companies and the Market Abuse Regulations).

The Company has adopted both a Whistleblower Policy and Anti-Bribery and Corruption Policy copies of which are available on the Company's website. These provide inter-alia that any material incidents that are reported under it are referred to the Board for its consideration and if necessary, action.

(ASX Recommendation 3.3 and 3.4)

### **Safeguard Integrity in Financial Reporting**

In accordance with ASX Recommendation 4.1 the Board has had established for all of the financial year under review an Audit Committee with a Charter that sets out the roles, responsibilities, composition, structure and membership requirements.

The primary objective of the Committee is to assist the Board to discharge its responsibilities with regard to:

- Monitoring the integrity of the financial statements of the Company, reviewing significant financial reporting judgements;
- Reviewing the Company's internal financial control system;
- Monitoring and reviewing the effectiveness of the Company's internal audit function (if any);
- Monitoring and reviewing the external audit function including matters concerning appointment and remuneration, independence and non-audit services; *and*
- Performing such other functions as assigned by law, the Company's constitution, or the Board.

### **Structure of the Audit Committee and Charter**

ASX Recommendation 4.1 states that the audit committee should have at least 3 members consisting only of non-executive directors, a majority of which should be independent with the Chair of the Committee being one of the independent directors who is not the chair of the Company.

During the reporting period, the Committee appointed by the Board comprised of two non-executive Directors and two executive Directors, with the chair of the Committee being an independent Director as prescribed by the ASX Recommendations.

Colm Cloonan and Anthony Gilby are members of the Committee who are executive directors. At the time of his appointment to the Committee Mr Gilby was a non-executive director but has since been appointed the Managing Director.

The Chair of the Committee is Linah Mohohlo who is an independent non-executive director.

Martin McIver, who is an independent non-executive director was previously the Chair of the Committee but also Chair of the Board of Directors. He now sits on the Committee as a member only.

Each member of the Audit Committee has an appropriate knowledge of the Company's affairs and has the financial and business expertise to effectively discharge the duties of the Committee. The members of the Audit Committee by virtue of their professional background experience and personal qualities are well qualified to carry out the functions of the Audit Committee.

The members of the Committee have direct access to any employee, the auditors and financial and legal advisers without management present. The Committee meets as often as is required but no less than twice a year.

The Committee Chair shall report any significant issues arising from the Committee Meetings at the next meeting of the Board.

The Directors report contained in the Company's annual report to shareholders is to contain a dedicated section that describes the role of the Audit Committee and what action it has taken.

The role of the Audit Committee is to: -

- (a) monitor the integrity of the financial statements of the Company, by reviewing significant financial reporting judgements;
- (b) review the effectiveness of the Company's internal financial control system and, unless expressly addressed by a separate Risk Committee or by the Board itself, risk management systems;
- (c) monitor and review the effectiveness of the Company's internal audit function;
- (d) monitor and review the external audit function including matters concerning appointment and remuneration, independence and non-audit services;
- (e) perform such other functions as assigned by law, the Company's constitution, or the Board;
- (f) approve the corporate governance section of the Company's Annual Report relating to the Committee and its responsibilities; *and*
- (g) review compliance with legal and regulatory requirements.

The Audit Committee keeps minutes of its meetings and includes them for review at the following Board Meeting. The Audit Committee members' attendance at meetings as compared to total meetings held is set out in the Directors' Report contained in the Annual Report.

As a matter of practice the Chief Executive Officer and the Chief Financial Officer are required to make declarations in accordance with section 295A of the Corporations Act that the Company's financial reports present a true and fair view in all material respects of the Company's financial condition and operational results and are in accordance with relevant accounting standards, and to provide assurance that the declaration is founded on a sound system of risk management and internal control, and that the system is operating effectively in all material respects.

(ASX Recommendation 4.2)

The external auditors attend the committee meetings at least twice a year and on other occasions where circumstances warrant as well as being available at the Company's AGM to answer shareholders questions about the conduct of the audit and the preparation and content of the audit report.

The finance-based reports that the Company releases each year are the full-year and half-year reports, which include consolidated financial statements, and the quarterly Appendix 5B's. The Company's independent external Auditors, review and sign-off the half-year consolidated financial statements and audit and sign-off the full-year consolidated financial statements. The Appendix 5B's are prepared internally but utilising the same accounting principles on which the half-year and full-year consolidated financial statements are prepared and released.

(ASX Recommendation 4.3)

## Make Timely and Balanced Disclosure

The Company appreciates the considerable importance of communications with Shareholders and the market as a whole. The Company's communication strategy requires communication with shareholders and investors in an open, regular and timely manner so that the shareholders and investors have sufficient information to make informed investment decisions on the operations and results of the Company.

The strategy provides for the use of systems that ensure regular and timely release of information about the Company to shareholders.

Methods of communication currently employed include:

- Shareholder Updates
- Quarterly Reports
- Half Yearly Reports
- Annual Reports; and
- Face to face Shareholder presentations

## Continuous Disclosure

The Company is a "disclosing entity" pursuant to section 111AR of the Corporations Act and, as such, complies with the continuous disclosure requirements of Chapter 3 of the ASX Listing Rules and section 674 of the Corporations Act. In addition, the Company is subject to disclosure obligations in respect of the other markets to which it is admitted to trading which includes inter alia the AIM Rules for Companies and the Market Abuse Regulations. Subject to the applicable exceptions contained in these regulations, the Company is required to disclose to the ASX and via a regulatory news service in the United Kingdom any information concerning the Company which is not generally available and which a reasonable person would expect to have a material effect on the price or value of the Shares.

The Company has adopted an updated Continuous Disclosure Policy in compliance with ASX Recommendation 5.1 and ASX Guidance Note 8: Continuous Disclosure. A copy of the policy can be found on the Company's website.

Each employee and consultant engaged by the Company will be provided with a copy of the policy while impressing upon them during their induction the importance of the same.

The Company Secretary has primary responsibility for discharging the Company's continuous disclosure obligations to the ASX. All officers and employees must immediately notify the Company Secretary of any material information which may need to be disclosed under Listing Rule 3.1-3.1B. Where uncertainty arises as to the meeting of continuous disclosure obligations, the Company Secretary may seek external legal and professional advice. Under the Company's policy the Board receives a copy of all material market announcement immediately after the have been made if not beforehand.

(ASX Recommendation 5.2)

The Officers of the Company are committed to:

- Encouraging prompt disclosure of any material information which may need to be disclosed under Listing Rule 3.1-3.1B; and
- Promoting an understanding of the importance of the continuous disclosure regime throughout the Company.

The Company uses its website [www.tlouenergy.com](http://www.tlouenergy.com) as its primary communication tool for distribution of the annual report, market announcements and media disclosures. External communication which may have a material effect on the price or value of the Company's securities will not be released unless it has been announced previously to the ASX, BSE and via a regulatory news service in the United Kingdom. Effective participation by Shareholders is encouraged at general meetings and procedures have been designed to facilitate this including online voting and the ability of stakeholders to subscribe to receive copies of announcements and reports that are released by the Company.

(ASX Recommendation 5.1)

## **Respect the Rights of Security Holders**

The Company keeps shareholders and other interested parties informed of performance and major developments via communications through its website. This includes details of the Governance framework adopted by the Company including copies of the Corporate Governance Policies and Charters. The link to which is: <http://tlouenergy.com/corporate-governance> (ASX Recommendation 6.1)

The Company has a Shareholder Communications and Engagement Policy that outlines the processes followed to ensure communication with shareholders and the investment community is effective, consistent and adheres to the principles of continuous disclosure. This is one of the policies available on the Governance page of the Company's website. (ASX Recommendation 6.2)

The policy regarding shareholder communication and engagement sets out the processes the Company has in place to facilitate and encourage the participation of shareholders and other investors at meetings and to engage with management. These include encouraging shareholders to attend the AGM and allowing them to vote online if they are unable to attend the meeting. (ASX Recommendation 6.3)

The Company considers that communicating with shareholders by electronic means is an efficient way to distribute information in a timely and convenient manner. Therefore, its website contains a function to allow interested parties to subscribe to receive electronic notification of public releases and other relevant material concerning the Company and its activities. Where appropriate and considered by the Board to be material or contentious Resolution at the Company's general meeting will be conducted by Poll rather than a show of hands. The Board considers that it is not necessary, or the cost justified to conduct all resolutions in this manner. (ASX Recommendation 6.4)

## **Recognition and Management of Risk**

The Board is responsible for the oversight of the Company's risk management. The responsibility and control of risk management is overseen by the Managing Director, with matters delegated to the appropriate level of management within the Company with the Managing Director being responsible for assuring the systems are maintained and complied with.

The Company has established a Risk Committee that is focused on ensuring that the Company maintains an effective system of internal control and risk management. The Committee's structure, roles and responsibilities are detailed in the Risk Committee Charter.

Flowing from this, the Company has adopted a Risk Management Policy that governs the Company's approach to managing financial and non-financial risks.

The members of the Risk Committee are appointed by the Board, two of which are to be Board Members. Company personnel are required to attend Risk Committee meetings as and when requested.

Specific functions of the Risk Committee are to: -

- (a) review and oversee the Company's risk profiles as developed and reported by management;
- (b) identify material business risks and monitor emerging risks and changes in the Company's risk profile;
- (c) monitor and review the risk management performance of the Company, including conducting specific investigations where deemed necessary;
- (d) review any legal matters which could significantly impact the Company's risk management and internal control systems, and any significant compliance and reporting issues, including any recent internal regulatory compliance reviews and reports;
- (e) review the effectiveness of the compliance function at least annually, including the system for monitoring compliance with laws and regulations and the results of management's investigations and follow-ups (including disciplinary action) of any fraudulent acts or non-compliance;
- (f) be satisfied that all regulatory compliance matters have been considered in the preparation of the Company's official documents;
- (g) review the findings of any examinations by regulatory agencies and oversee all liaison activities with regulators;
- (h) review and discuss media releases, ASX announcements and any other information provided to analysts;
- (i) review corporate legal reports of evidence of a material violation of the Corporations Act, the ASX Listing Rules or breaches of fiduciary duties;
- (j) review the Company's insurance strategy, including the coverage and limits of the insurance policies, in order to, if thought fit, recommend to the Board for approval; and
- (k) promote an awareness of a risk-based culture in the balance of pursuit of business objectives whilst managing risks.

(ASX Recommendation 7.1)

The Risk Committee meets whenever necessary, but no less than three times per year, and keeps minutes of its meetings which are included for review at the following Board Meeting.

The Company has a qualified Compliance and Risk Manager who has been engaged to oversee the design and implementation of the risk control programme. The Company's Risk Management Policy requires the Board, being guided by the Risk Committee to at least annually undertake a risk review to determine if the existing risk framework is satisfactory considering the material risks faced by the Company.

The Board with the assistance of the Risk Committee has completed a review of the Company's risk management framework during the year under review and determined that the risk management framework that was in place was satisfactory for the present needs of the Company and that it continues to be sound and that the Company is operating with due regard to the risk appetite set by the Board.

(ASX Recommendation 7.2)

The Company does not have a formal internal audit function. However, it has adopted a number of internal controls such as identifying key risks in a Risk Register and managing activities within a budget and operational plan. Management led by the Chief Financial Officer periodically undertakes an internal review of financial systems and processes and where systems are considered to require improvement these systems are developed. Delegations of Authority are reviewed annually by the Audit Committee.

The ongoing mitigation and management of financial and operational risks are standing agenda items of the Audit and Risk Committees. The Chief Executive Officer and the Chair of the Audit Committee are responsible for reporting to the Board on a regular basis in relation to whether the Company's material business risks are being managed effectively by the existing management and internal controls systems.

(ASX Recommendation 7.3)

The Company undertakes gas exploration activities and as such face inherent risks to its business, including economic, environmental and social sustainability risks which may materially impact the Company's ability to create or preserve value for shareholders over the short, medium or long term. The Board is regularly briefed by management as well as keeping itself abreast of possible material exposure to risks that the Company may face.

Of core importance to the Company is safety, which it considers a priority not only in respect to its employees and contractors but also to the community and environment in which it operates. The Company believes that if these matters are priorities then they will act as drivers for value to shareholders. The Company has in place policies and procedures, including a risk management framework, to help manage these risks.

(ASX Recommendation 7.4)

### **Remunerate Fairly and Responsibly**

The Board has established a Remuneration & Nomination Committee. There is no separate Remuneration Committee.

Given the size of the Board, the Directors have previously determined that the non-executive Directors would execute the functions of a Remuneration & Nomination Committee and have adopted a Remuneration and Nomination Charter. The Board has agreed that the function of the Remuneration & Nomination Committee will be constituted by a majority of independent non-executive directors.

The Board does not believe that any advantage would be achieved at this juncture taking into account the size of the Company and the Board to have a separately constituted Remuneration Committee to carry out this function.

The non-executive members of the Board acting in their capacity as a Committee is tasked with ensuring that the Company has remuneration policies and practices which enable it to attract and retain Directors and executives who will best contribute towards achieving positive outcomes for Shareholders.

The Company complies with the guidelines for executive remuneration packages and non-executive Director Remuneration as recommended in the ASX Recommendations.

The ASX Listing Rules and the Constitution require that the maximum aggregate amount of remuneration to be allocated among the non-executive Directors be approved by the shareholders in a general meeting. In proposing the maximum amount of consideration by shareholders, and in determining the allocation, the Remuneration Committee will take into account the time demands made on Directors and such factors as fees paid to non-executive Directors in comparable Australian companies. A meeting of shareholders held 10 July 2012 saw a resolution passed approving a pool of no more than \$500,000 for this purpose.

The names of the members of the Remuneration & Nomination Committee and their attendances at the meetings of the Committee (if held) are set out in the Directors Report which forms a part of the Company's Annual Report. The remuneration paid to Directors and senior executives is shown in the Remuneration Report contained in the Directors' Report, which includes details on the Company's remuneration policies. There are no termination and retirement benefits for non-executive Directors other than statutory superannuation entitlements.

(ASX Recommendation 8.1)

The Company's policies and practices regarding the remuneration of non-executive Directors, executive Directors and senior executives is set out in the Remuneration & Nominations Committee Charter and in the Remuneration Report contained in the 2019 Annual Report.

A copy of the Remuneration & Nomination Committee Charter is available on the Company's website.

(ASX Recommendation 8.2)

The Company has an equity-based remuneration scheme. The Company's Policy for Trading in the Company's Securities does not specifically prohibit Directors entering into transactions or arrangements which would limit the economic risk of unvested entitlements.

However, all dealings in the Company's Securities do need to be first approved by the Company. The Securities Trading Policy is available on the Company's website.

(ASX Recommendation 8.3)

## Additional Information

### 1. Shareholder Information

The shareholder information set out below was applicable as at 14 August 2019 and relates to shares held on the ASX, AIM and BSE.

### 2. Ordinary Share Capital

450,180,185 fully paid ordinary shares.

### 3. Number of Equity Holders

Ordinary Share Capital held by 646 shareholders.

### 4. Voting Rights

In accordance with the Company's Constitution, for a show of hands, every shareholder present in person or by a proxy, attorney or representative of a shareholder has one vote and for a poll, every shareholder present in person or by a proxy, attorney or representative has in respect of fully paid shares, one vote for every share held. No class of option holder or performance rights holder has a right to vote, however the shares issued upon exercise of options or performance rights will rank pari passu with the then existing issued fully paid ordinary shares.

### 5. Distribution of Shareholdings

Holdings	No. of Holders	Units	% of Issued Ordinary Capital
1 - 1,000	36	5,882	0.0%
1,001 - 5,000	41	150,249	0.0%
5,001 - 10,000	58	466,652	0.1%
10,001 - 50,000	163	4,390,073	1.0%
50,001 - 100,000	82	6,336,426	1.4%
100,001 - maximum	266	438,830,903	97.5%
	<b>646</b>	<b>450,180,185</b>	<b>100.0%</b>

### 6. Substantial Shareholders

The following information is extracted from the Company's Register of Substantial Shareholders:

	Ordinary Fully Paid Shares Held	% of Issued Ordinary Capital
FNB Nominees (Pty) Ltd Re:AA BPOPF Equity	47,230,769	10.5%
Investor Group - Anthony Gilby	21,701,789	4.8%

## 7. The 20 Largest Holders of Ordinary Shares

	Ordinary Fully Paid Shares Held	% of Issued Ordinary Capital
FNB Nominees (Pty) Ltd Re:AA BPOPF Equity	47,230,769	10.49%
Hargreaves Lansdown (Nominees) Limited <15942>	26,591,163	5.91%
Hargreaves Lansdown (Nominees) Limited <VRA>	15,873,887	3.53%
Gilby Super Pty Ltd	13,604,240	3.02%
Interactive Investor Services Nominees Limited <Smktisas>	12,899,420	2.87%
Kabila Investments Pty Limited	11,619,999	2.58%
Mitchell Group Holdings Pty Ltd	11,136,364	2.47%
Sixth Erra Pty Ltd	11,112,499	2.47%
Backes Global Holdings Pty Limited	10,000,000	2.22%
Share Nominees Ltd	8,081,269	1.80%
Barclays Direct Investing Nominees Limited <Client1>	7,729,965	1.72%
Citicorp Nominees Pty Limited	7,643,746	1.70%
HSDL Nominees Limited <Maxi>	7,497,412	1.67%
IK Botswana Investments Pty Ltd	7,115,000	1.58%
Vidacos Nominees Limited <lgukclt>	6,677,132	1.48%
Jim Nominees Limited <Jarvis>	6,229,447	1.38%
BNP Paribas Nominees Pty Ltd	5,909,999	1.31%
Mr Christopher John Blamey & Mrs Anne Margaret Blamey	5,826,801	1.29%
Alliance Trust Savings Nominees Limited	5,468,560	1.21%
Interactive Investor Services Nominees Limited <Smktnoms>	5,404,236	1.20%
<b>Total</b>	<b>233,651,908</b>	<b>51.90%</b>
Balance of register	216,528,277	48.10%
<b>Grand total</b>	<b>450,180,185</b>	<b>100%</b>

## 8. Restricted Securities

There are 12,000,000 issued ordinary shares, which are held under voluntary escrow. The escrow agreements restrict the trading of these shares for a period of 12 months from the date of issue. The date of issue was 11 April 2019.

## 9. Interests in Prospecting Licences (PL) and Mining Licence (ML)

As at the date of this Report, Tlou Energy Limited had an interest in the following licences:

Licence	Region	interest % *	Operator
PL 1/2004	Lesedi Project (Botswana)	100%	Tlou Energy Botswana Pty Ltd
PL 3/2004	Lesedi Project (Botswana)	100%	Tlou Energy Botswana Pty Ltd
PL 35/2000	Lesedi Project (Botswana)	100%	Tlou Energy Botswana Pty Ltd
PL 37/2000	Lesedi Project (Botswana)	100%	Tlou Energy Botswana Pty Ltd
PL 237/2014	Mamba Project (Botswana)	100%	Tlou Energy Botswana Pty Ltd
PL 238/2014	Mamba Project (Botswana)	100%	Tlou Energy Botswana Pty Ltd
PL 239/2014	Mamba Project (Botswana)	100%	Tlou Energy Botswana Pty Ltd
PL 240/2014	Mamba Project (Botswana)	100%	Tlou Energy Botswana Pty Ltd
PL 241/2014	Mamba Project (Botswana)	100%	Tlou Energy Botswana Pty Ltd
PL 011/2019	Boomslang Project (Botswana)	100%	Tlou Energy Botswana Pty Ltd
ML 2017/18L	Lesedi Project (Botswana)	100%	Tlou Energy Botswana Pty Ltd

\* The interest shown in each of the licences represents the percentage that Tlou Energy Limited holds in the corporate holder of the licence.