

# **Tlou Energy Limited**

ABN 79 136 739 967

## **Annual Report and**

**Consolidated Financial Statements for the year ended 30 June 2022**

## Corporate Directory

ABN	79 136 739 967
Directors	Martin McIver Anthony Gilby Gabaake Gabaake Colm Cloonan Hugh Swire
Company Secretary	Solomon Rowland
Administration & Registered Office	210 Alice Street Brisbane QLD 4000 Australia
Telephone:	+61 7 3040 9084
Solicitors	Delphi Partners Level 23 307 Queen Street Brisbane QLD 4000
Auditors	BDO Audit Pty Ltd Level 10 12 Creek Street Brisbane QLD 4000
Bankers	Westpac Banking Corporation GPO Box 3433 Sydney NSW 2001
Share register	Australian Securities Exchange Ltd (ASX Code: TOU) AIM Stock Exchange UK (AIM Code: TLOU) Botswana Stock Exchange (BSE Code: TLOU)

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## Chairman's letter

Dear Shareholders,

We continue to make excellent progress towards establishing ourselves as a key power player in Botswana and Southern Africa through the exploration and development of gas and solar.

During the year we signed an initial five-year 10MW power purchase agreement (PPA) with the Botswana Power Corporation (BPC), a major step forward for Tlou.

Following on from the signing of the PPA, Tlou commenced the construction of the 100 km transmission line from the Lesedi project to the grid. Completion of the transmission line is expected in mid-2023. Substations at either end of the transmission lines are expected to be completed in the second half of 2023, with sale of electricity thereafter. Connecting the Lesedi project to the grid is expected to open additional offtake opportunities across Botswana and via the Southern African Power Pool.

Tlou's two production wells, Lesedi 3 and Lesedi 4, continued to produce gas during the reporting period. Lesedi 3 has been temporarily shut in while Lesedi 4 is still dewatering. Gas flow rates are expected to continue to increase, particularly when additional wells are drilled to assist with dewatering of the reservoir as part of a full field development. Tlou's current 2P gas reserves stand at approximately 41 billion cubic feet (~7.2m BOE).

The Company has also acquired land in the Lesedi project area where work is underway on developing a new purpose-built operations facility including accommodation and associated infrastructure. The new facility will support the delivery and expansion of the Lesedi project.

The Company's Mamba and Boomslang project areas are located adjacent to the Lesedi project. Tlou will continue to develop these projects and successful exploration and development of these projects could allow the Company to progress these areas separately to Lesedi, with the potential for gas-fired power, solar power and hydrogen production.

We are privileged to have the continued support of the government of Botswana and the inclusion of coal bed methane (CBM) as part of the country's forward plan to combat power deficiency.

The Company signed a heads of agreement with Synergen Met Pty Ltd (SM) for the construction and commissioning of a hydrogen and solid carbon prototype to be installed at the Lesedi Project. SM is a specialist in plasma torch and pyrolysis technology. Leveraging on the Company's gas and solar developments, a successful prototype would expand commercial offtake opportunities available to the Company.

In November 2021, the Company successfully raised USD 5 million through a convertible note with the Botswana Public Officers Pensions Fund (BPOPF). The funds raised will allow the company to progress the development of the Lesedi project, including the construction of the overhead transmission lines to connect the project to the electricity grid.

This has been a highly active year for Tlou. We look forward to another successful year ahead. 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 McIver

Chairman

## Managing Director's Report

Dear Shareholders,

Tlou Energy has steadily advanced the Lesedi Gas-to-Power Project over the past year.

Funding was secured from Botswana Public Officers Pension Fund (BPOPF) to build a transmission line connecting the project to the existing electricity grid. Work on the power line route commenced earlier this year and is scheduled for completion in 2023.

The Lesedi 3 and 4 production wells have flowed gas for a prolonged period. A review of the geotechnical data suggests that only a fraction of the lateral well bores have successfully dewatered to date. It is apparent that with further drilling to shield the production wells from water influx along with some modifications of the lateral well path, significantly increased gas flow rates are probable.

Gas is becoming an increasingly valuable commodity of late particularly when discovered reserves are in an advanced state of development such as Tlou's. During 2022, energy supplies and power markets have experienced severe dislocation stemming initially from post-COVID reflation policies and subsequently from the Ukrainian situation with its associated sanctions.

As a result, global power prices have had extreme surges. In the U.K. consumers are seeing substantial increases in gas and electricity bills from pre-pandemic levels. In August, Sasol as South Africa's main natural gas supplier, doubled gas prices and has regulatory room to increase them again.

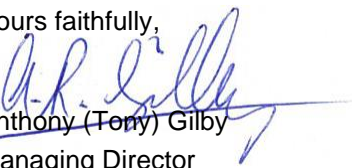
Within Europe the extreme price dislocations have been compounded by policies whereby countries have sought to rely on highly intermittent renewable energies, such as solarPV and wind power, to provide essential 24/7 base-load and peaking power. This potential policy misstep is being recognised more widely, including within Africa.

This situation is seeing a fundamental global reassessment of the benefits of natural gas. Specifically within Southern Africa, it is also being recognised as a 'transition fuel' - enabling the installation of renewables, such as solarPV, by providing the supporting flexibility of the essential base-load and peaking power. Tlou Energy is now well positioned to meet the growing energy requirements of Southern Africa via an optimal mix of gas and solarPV power.

Risks still exist within the Lesedi project and include the ultimate gas flow rate, government bureaucracy and adequate funding to name a few. Tlou continues to work on reducing these risks as we progress.

Successful completion of our proposed drilling campaign targeted for the first half of next year could lead to a significant increase in gas flow rates over and above those already achieved. Such a result would substantially advance the Company's fortunes. Tlou plans to have the Lesedi Power Project producing its first electricity into the grid towards the end of next year and is focussed on meeting that objective.

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' or the 'Group') consisting of Tlou Energy Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at 30 June 2022.

### 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 McIver	Non-Executive Chairman
Anthony Gilby	Managing Director & Chief Executive Officer
Gabaake Gabaake	Executive Director
Colm Cloonan	Finance Director
Hugh Swire	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 to develop power solutions in Sub-Saharan Africa through Coalbed Methane (CBM) gas-fired power, solar power, and hydrogen projects. No revenue from these activities has been earned to date, as the consolidated entity is still in the exploration and evaluation or pre-development stage.

#### Significant changes in the state of affairs

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 interest amounted to \$4,329,116 (30 June 2021: \$2,054,237).

The loss is higher than the prior period which is due in part to the return to more normal operating conditions post the COVID-19 pandemic restrictions. In addition to the increased activity and associated costs, a number of mainly non-cash items are included on the statement of comprehensive income that were not in the prior period. This includes impairment of previously capitalised exploration and evaluation expenditure relating to non-core project areas, interest on the convertible notes issued during the year, share based payments re performance rights, and an expense in relation to the fair value of financial instruments. These items alone account for approximately \$1.3m of the loss for the year.

Operationally the focus during the year was on further development of the Lesedi project and in particular construction of a transmission line to connect the Lesedi project to the existing grid. The transmission line work began in 2022 and costs to date are classed as contract assets on the statement of financial position.

Spending on exploration and evaluation, transmission lines and other assets was approximately \$2.9m for the period. Capital proceeds of US\$5m were received from Tlou's largest shareholder, Botswana Public Officer's Pension Fund, via the issue of a convertible note. Cash at the end of the year amounted to approximately \$7.87m.

#### Gas-to-power

The Company's operations during the year were based on development of the Lesedi Power Project (Lesedi). Lesedi is the Company's most advanced project. The Lesedi project area consists of three Prospecting Licences (PL) and a Production Licence. The first stage of development is a 10MW power generation facility which will be located in the Production Licence area.

Electricity generated at the 10MW gas fired power facility will be sold under a Power Purchase Agreement (PPA) with Botswana Power Corporation (BPC), the national power utility in Botswana. To connect to Botswana's power grid, a 100 km transmission line is being built from Lesedi to join the grid near the town of Serowe. Work is underway on this

project and the line is scheduled for completion in mid-2023. Substations are also required at either end of the transmission line. These are expected to be completed in the second half of 2023. Sale of electricity can start thereafter. Once in full production, 10MW of generation could provide annual revenue of approximately US\$10m.

Work is also underway on developing a new purpose-built operations facility including accommodation and associated infrastructure required for the initial 10MW development and to allow for rapid project expansion thereafter.

Gas will be required to generate electricity for sale. Two production wells Lesedi 3 and Lesedi 4 continued to produce gas during the year. Lesedi 3 has been temporarily shut-in and Lesedi 4 continues to produce. Lesedi 3 (when back in production) and Lesedi 4 are expected to produce increased gas flow rates particularly when additional wells are drilled to assist with dewatering of the reservoir as part of a full field development and to provide sufficient gas for the 10MW development. Thlou's current 2P gas reserves stand at approximately 41 billion cubic feet (~7.2m BOE).

The transmission line currently under construction is expected to have a capacity of up to 25MW. With 10MW already committed under the PPA with BPC, the Company is also marketing the additional 15MW of power to other potential off-takers.

In addition to the Lesedi project area, the Company also holds six other prospecting licences (PL) at varying stages of exploration and evaluation. These include the Mamba project which consists of five PL's covering an area of approximately 4,500 Km<sup>2</sup> and the Boomslang licence (approx. 1,000 Km<sup>2</sup>). Both Mamba and Boomslang areas are situated adjacent to Lesedi. In the event of a gas field development by Thlou, these areas provide the Company with flexibility and optionality.

#### Other opportunities

Gas-to-power is the Company's key focus. However other potential revenue generating avenues are continually being investigated and will be pursued if commercially viable.

Thlou continues to advance plans for development of solar power. Solar generation can work as a standalone project and in addition to the planned gas-fired generation. Botswana is an ideal location for solar power with high levels of irradiation. A standalone solar project can assist with power requirements during daylight hours, however Thlou's solar and gas could be combined to provide reliable baseload power, with solar generation during daylight hours and gas-fired power used when solar is unavailable. This approach could reduce carbon emissions compared to Botswana's existing coal and diesel fired generation, plus a combined solar and gas approach also reduces potential grid stability issues.

Thlou is also looking into hydrogen production. The hydrogen economy is rapidly developing and could open additional business opportunities. Thlou is developing a hydrogen strategy in conjunction with its partners with the aim of producing hydrogen as well as carbon black or graphite via methane pyrolysis.

In addition to the above Thlou is looking at monetising currently flared gas. One potentially viable option is the mining of crypto currencies, and the Company has successfully completed a small crypto mining trial at its field camp. The trial used excess field camp electricity to run crypto mining units to produce Bitcoin. This has established proof of concept and built in-house technical expertise. The next stage will involve powering the crypto miners using electricity generated from the Lesedi 4 production well, i.e., using gas which would otherwise be flared. Following this and subject to results, the Company may expand the project.

#### **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, risks and expected results of operations**

The Company has drilled development wells in the Lesedi project area which have produced CBM gas. These wells were designed to achieve enhanced gas flow rates in the area proposed for the Company's initial project development. The gas flow rates from these wells are vitally important to assess the viability of the Lesedi project and management are confident that commercial gas flows can be achieved. However, at the date of this report the level of gas that can and will be produced from the project and if it will be at commercial rates is not yet known. In addition, further wells will also be required to produce sufficient gas for the planned Lesedi project.

The Company is advancing plans to develop solar, hydrogen, solid carbon and crypto mining projects in addition to the gas-fired power project. These projects may be subject to regulatory approvals. No guarantee can be given in

relation to the results of the Company’s operations, gas flow rates, regulatory approvals being granted or the ability to secure the funds required to progress all or any of the Company’s existing or planned operations.

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

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



<b>Environment</b>	Botswana’s natural habitat, water and wildlife needs to be protected. Botswana rigorously enforces its environmental regulations so the risk of fines or other liabilities for noncompliance is commensurately high.	Tlou has full environmental approval in place for development of the gas-to-power project. The Company aims to not just meet environmental requirements but exceed them.  The Company uses local specialists to support its ongoing permit renewals, environmental assessments and licence applications. Continual monitoring of actual and potential impacts on the environment is practiced to try and ensure that any impact on the natural habitat is eliminated or minimised.
<b>Power Sales</b>	The Company has signed a 10MW Power Purchase Agreement (PPA) with Botswana Power Corporation (BPC) with the aim for first power to be supplied into the national grid in 2023. There is a risk completion that the grid connection infrastructure could be delayed thereby postponing first power sales. No other agreements are currently in place for sale of power or gas to other parties.	The Company works closely with its contractors and engineers to progress infrastructure projects in a timely manner.  Management continues to explore opportunities with other potential customers across the region, potentially via the Southern African Power Pool or within Botswana. The Company also aims to diversify its products including potentially producing solar power, hydrogen, solid carbon products and mining crypto currencies.
<b>Geological Risk</b>	The Company has approximately 8,000 square km of licence areas part of which has not had significant CBM operations to date. There remains significant geological risk in these areas and subject to operational results these areas may not be commercial.	Tlou has invested in seismic surveys and core hole drilling to identify areas of lower risk prior to conducting further exploration and evaluation. This strategy is planned for undeveloped areas of the project. After a decade of operating in the region and supported by external resource certifications, the operations team have and continue to develop an excellent knowledge of the geological area to help de-risk future exploration and evaluation operations.
<b>Remote Operations</b>	The Company operates over 100km from established medical and engineering support facilities in the closest urban area which increases costs and risks as well as requiring adequate insurance.	The Company has on-site paramedic support and has invested in its own stock of equipment so that it can operate as autonomously as possible over a greater range of activities. A purpose-built field operations camp is under construction which will be suitable for full development of the initial 10MW project and for further expansion.
<b>People</b>	The Company may lose key executives and management. The Company operates in a competitive environment in relation to talented corporate and technical personnel.	The Company continues to search for skilled staff to grow the team to satisfy the Company’s needs and ideally to have a lead person and back-up support person for all key positions. In addition, implementation of appropriate staff training and succession plans is a key target. The Company offers incentives and development opportunities for key executives and management to attract the best talent to the Company.

**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

### **Martin McIver**      **MBA**

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 PWR Holdings Limited (ASX:PWH). During the past three years Martin has not served as a director of any other ASX listed companies.

### **Anthony Gilby**      **B.Sc. (First Class Honours)**

Special Responsibilities

Managing Director and Chief Executive Officer  
 Member of the Audit Committee  
 Member of the Nomination & Remuneration Committee

Interest in Shares and options

34,489,580 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

385,999 Ordinary Shares  
2,750,000 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

1,931,112 Ordinary Shares  
4,750,000 Performance Rights

**Experience**

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 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

10,065,921 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 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.

## **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. If performance incentives are put in place these will generally only be 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.
- 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 located in Australia 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 2022

### Directors

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

### Executives

Solomon Rowland	Company Secretary
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There were no other key management personnel of the consolidated entity during the financial year ended 30 June 2022.

### 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 table below.

Benefits and Payments for the year ended 30 June 2022

	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	
<b>Directors</b>	\$	\$	\$	\$	\$	\$	\$
M McIver	44,000	-	4,400	-	48,400	-	48,400
A Gilby	152,365	-	6,545	-	158,910	-	158,910
G Gabaake	106,210	-	10,621	-	116,831	77,400	194,231
C Cloonan	119,367	-	34,256	-	153,623	154,800	308,423
H Swire	44,000	-	-	-	44,000	-	44,000
<b>Total Directors</b>	<b>465,942</b>	<b>-</b>	<b>55,822</b>	<b>-</b>	<b>521,764</b>	<b>232,200</b>	<b>753,964</b>
<b>Executives</b>							
S Rowland	160,254	-	16,025	-	176,279	-	176,279
<b>Total Executives</b>	<b>160,254</b>	<b>-</b>	<b>16,025</b>	<b>-</b>	<b>176,279</b>	<b>-</b>	<b>176,279</b>
<b>Total</b>	<b>626,196</b>	<b>-</b>	<b>71,847</b>	<b>-</b>	<b>698,043</b>	<b>232,200</b>	<b>930,243</b>

During the 2022 year, performance rights were issued to key management personnel as outlined later in this report under the heading Performance Rights. No key management personnel received other performance related bonuses, cash bonuses, termination benefits or non-cash benefits during the year.

## Benefits and Payments for the year ended 30 June 2021

	Short-term benefits		Post Employment benefits	Long term benefits		Total
	Salary & Fees	Cash Bonus	Superannuation	Leave Benefits	Total Cash Remuneration	
<b>Directors</b>	\$	\$	\$	\$	\$	\$
M McIver	12,000	-	1,410	-	13,410	13,410
A Gilby	146,787	-	6,353	7,575	160,715	160,715
G Gabaake	83,596	-	13,614	2,756	99,966	99,966
C Cloonan	132,456	-	23,548	-	156,004	156,004
H Swire	12,000	-	-	-	12,000	12,000
L Mohohlo	11,000	-	-	-	11,000	11,000
<b>Total Directors</b>	<b>397,839</b>	<b>-</b>	<b>44,925</b>	<b>10,331</b>	<b>453,095</b>	<b>453,095</b>
<b>Executives</b>						
S Rowland	141,027	-	13,398	30,001	184,426	184,426
<b>Total Executives</b>	<b>141,027</b>	<b>-</b>	<b>13,398</b>	<b>30,001</b>	<b>184,426</b>	<b>184,426</b>
<b>Total</b>	<b>538,866</b>	<b>-</b>	<b>58,323</b>	<b>40,332</b>	<b>637,521</b>	<b>637,521</b>

During the 2021 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.
Base Fee:	Mr Gilby waived 75% of his contracted rate up to the end of the reporting period. The amount waived will not be payable by the Company at a future date. The annual cost to the Company excluding share-based payments (if any), after taking account of the 75% deduction, adjustments for industry standards and CPI was approximately \$159,000. From 1 July 2022 Mr Gilby's salary will revert to 50% of his contracted rate.
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:	Mr Rowland has agreed to waive up to 25% of his current contracted rate up to the end of the reporting period. The amount waived will not be payable by the Company at a future date. The annual cost to the Company excluding share-based payments (if any), after taking account of the 25% deduction, adjustments for industry standards and CPI was approximately \$176,000.
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:	Mr Gabaake has agreed to waive up to 22% of his current contracted rate up to the end of the reporting period. The amount waived will not be payable by the Company at a future date. The annual cost to the Company excluding share-based payments (if any), after taking account of the 22% deduction, adjustments for industry standards and CPI was approximately \$117,000.
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:	Mr Cloonan waived 50% of his contracted rate up to the end of the reporting period. The amount waived will not be payable by the Company at a future date. The annual cost to the Company excluding share-based payments (if any), after taking account of the 50% deduction, adjustments for industry standards and CPI was approximately \$154,000. From 1 July 2022 Mr Cloonan's salary will revert to his full contracted rate.
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 set out below. These figures do not include any shares issued post year end.

30 June 2022	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	812,102	-	-	-	-	812,102
A Gilby	34,489,580	-	-	-	-	34,489,580
G Gabaake	385,999	-	-	-	-	385,999
C Cloonan	1,931,112	-	-	-	-	1,931,112
H Swire	10,065,921	-	-	-	-	10,065,921
S Rowland	475,000	-	-	-	-	475,000
	48,159,714	-	-	-	-	48,159,714

**Key management personnel Options**

The number of options in Tlou Energy Limited held by each key management person of the consolidated entity during the financial year is set out below. These figures do not include any options issued post year end. The options in this table are attaching options to shares that were issued.

30 June 2022	Balance at beginning of year	Granted as remuneration during the year	Additions	Expired	Balance at date of resignation / appointment	Balance at end of year
M McIver	-	-	-	-	-	-
A Gilby	6,249,999	-	-	-	-	6,249,999
G Gabaake	27,571	-	-	-	-	27,571
C Cloonan	375,000	-	-	-	-	375,000
H Swire	2,750,415	-	-	-	-	2,750,415
S Rowland	87,500	-	-	-	-	87,500
	9,490,485	-	-	-	-	9,490,485

Note: All the above options expired on 20 July 2022. There are no options outstanding at the date of this report.



## Performance rights

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 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 2022 are as set out below:

30 June 2022	Tranche	Issue Date	Opening Balance	Issued	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
	(iv)	15-Dec-21	-	1,000,000	41,800	-	-	1,000,000	1,000,000
	(v)	15-Dec-21	-	1,000,000	35,600	-	-	1,000,000	1,000,000
								-	
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
	(iv)	15-Dec-21	-	2,000,000	83,600	-	-	2,000,000	2,000,000
	(v)	15-Dec-21	-	2,000,000	71,200	-	-	2,000,000	2,000,000
								-	
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
								-	
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>			4,250,000	6,000,000	661,100	-	-	10,250,000	10,250,000

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.
(iv)	To vest the share price needs to be AUD \$0.10 or greater for a period of 10 consecutive trading days. These performance rights expire on 31/01/2025.
(v)	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.

## 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>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Share price at end of financial year (\$)	0.028	0.039	0.040	0.12	0.10
Market capitalisation at end of financial year (\$M)	17	23	18	52	35
Loss for the financial year (\$)	(4,329,116)	(2,054,237)	(12,950,601)	(3,216,695)	(2,810,730)
Cash spend on exploration programs (\$)	(1,991,033)	(797,340)	(1,766,761)	(6,942,758)	(3,330,951)
Director and Key Management Personnel remuneration (\$)	930,243	637,521	1,033,623	1,560,338	1,168,943

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 and pre-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 2022 financial year.

**Other transactions with key management personnel and their related parties**

	<b>2022</b>	<b>2021</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>12,900</b>	12,000

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. There were no amounts payable as at 30 June 2022 (2021: Nil).

(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 20 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 2022, 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	11	11	2	2	4	4
A Gilby	11	11	2	2	-	-
G Gabaake	10	11	-	-	4	4
C Cloonan	11	11	2	2	-	-
H Swire	11	11	2	2	4	4

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.

Grant date	Expiry date	Exercise price	1/07/2021	Issued	Exercised*	Expired	16/09/2022
20-Jul-20	20-Jul-22	\$0.08	57,509,400	-	6,250	57,503,150	-

\*Shares issued on 18 July 2022 following exercise of options.

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

Vesting Date	Vesting Price	1/07/2021	Issued	Exercised	Expired	16/09/2022
19 October 2018	\$0.165	2,225,000	-	-	-	2,225,000
19 October 2018	\$0.22	2,225,000	-	-	-	2,225,000
31 January 2017	\$0.28	2,275,000	-	-	-	2,275,000
15 December 2021	\$0.10	-	3,000,000	-	-	3,000,000
15 December 2021	\$0.165	-	3,000,000	-	-	3,000,000
		6,725,000	6,000,000	-	-	12,725,000

### Shares issued on the exercise of options and performance rights

Other than those disclosed in the tables above there were no ordinary shares of Tlou Energy Limited issued during or since the year ended 30 June 2022 on the exercise of options or performance rights 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.

**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 24.

**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>2022</b>	<b>2021</b>
	\$	\$
Non-audit services – BDO Australia		
Tax consulting and compliance services	9,575	13,900
<b>Total</b>	<b>9,575</b>	<b>13,900</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, 19 September 2022

## 2022 Annual Reserves Statement

Tlou Energy Limited is pleased to present its Annual Reserves Statement for the period ending 30 June 2022. There has been no adjustment to the net gas reserves and contingent resources of the Company since the last 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.

An independent review of the Company's gas reserves and contingent resources is planned which may result in an upgrade or downgrade of the current gas reserves and contingent resources. Having conducted an internal review of its gas reserves and resources position during the reporting period and satisfying itself that there was no new data available that might materially increase or decrease 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 2022.

Location	Project	Tlou Interest	Gas Reserves (BCF)					
			30/06/2022	30/06/2021	30/06/2022	30/06/2021	30/06/2022	30/06/2021
			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, 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)					
			30/06/2022	30/06/2021	30/06/2022	30/06/2021	30/06/2022	30/06/2021
			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, 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 2022 and comparative petroleum reserves certified at 30 June 2021.

### 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 2022 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 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 2022 as against the previous year. The net 2C and 3C contingent resources did not increase from the 2021 year to the 2022 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 2022 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 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 which were issued in 2007 and were in use in February 2018. The most recent changes to these guidelines, which revised those 2007 guidelines, was issued in June 2018. These revised guidelines will form the basis of any future assessments. The guidelines were re-affirmed by Mr Carl D'Silva of SRK. Mr D'Silva 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).

## 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 2022, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the 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.



**T R Mann**  
Director

**BDO Audit Pty Ltd**

Brisbane, 19 September 2022



## Consolidated Statement of Comprehensive Income for the year ended 30 June 2022

	Note	Consolidated	
		June 2022	June 2021
		\$	\$
Interest income		9	482
Other income		-	50,000
<b>Expenses</b>			
Employee benefits expense	3	(683,630)	(603,271)
Depreciation expense	9	(547,217)	(597,189)
Impairment - exploration and evaluation assets	7	(166,054)	-
Foreign exchange gain/(loss)		(153,643)	122,403
Share issue costs		-	-
Interest expense	13	(241,917)	-
Share based payment expense	3	(232,200)	-
Professional fees		(284,451)	(202,317)
Occupancy costs		(18,048)	(12,000)
Other expenses	3	(1,311,694)	(812,345)
Fair value gain/(loss) on financial instruments	14	(690,271)	-
<b>LOSS BEFORE INTEREST AND TAX</b>		<b>(4,329,116)</b>	<b>(2,054,237)</b>
Income tax	4	-	-
<b>LOSS FOR THE PERIOD</b>		<b>(4,329,116)</b>	<b>(2,054,237)</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		(1,717,869)	(303,597)
Tax effect		-	-
<b>TOTAL OTHER COMPREHENSIVE INCOME/(LOSS)</b>		<b>(1,717,869)</b>	<b>(303,597)</b>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS)</b>		<b>(6,046,985)</b>	<b>(2,357,834)</b>
<b>Earnings per share</b>			
		Cents	Cents
Basic loss per share	5	(0.7)	(0.4)
Diluted loss per share	5	(0.7)	(0.4)

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 2022

	Note	Consolidated	
		June 2022	June 2021
		\$	\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	6	7,875,025	6,385,384
Trade and other receivables		424,220	267,258
Other current assets		178,887	2,201
<b>TOTAL CURRENT ASSETS</b>		<b>8,478,132</b>	<b>6,654,843</b>
<b>NON-CURRENT ASSETS</b>			
Exploration and evaluation assets	7	49,232,167	48,855,466
Other non-current assets	8	602,112	626,352
Property, plant and equipment	9	366,492	844,336
Contract assets	10	948,446	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>51,149,217</b>	<b>50,326,154</b>
<b>TOTAL ASSETS</b>		<b>59,627,349</b>	<b>56,980,997</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	563,599	135,127
Derivatives	14	696,153	-
Lease liabilities		13,792	13,167
Provisions	12	319,903	297,636
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,593,447</b>	<b>445,930</b>
<b>NON-CURRENT LIABILITIES</b>			
Convertible notes	13	7,263,643	-
Derivatives	14	67,600	-
Lease liabilities		56,530	73,153
Provisions	12	113,000	114,000
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>7,500,773</b>	<b>187,153</b>
<b>TOTAL LIABILITIES</b>		<b>9,094,220</b>	<b>633,083</b>
<b>NET ASSETS</b>		<b>50,533,129</b>	<b>56,347,914</b>
<b>EQUITY</b>			
Contributed equity	15	106,763,927	106,763,927
Reserves		(6,716,016)	(5,230,347)
Accumulated losses		(49,514,782)	(45,185,666)
<b>TOTAL EQUITY</b>		<b>50,533,129</b>	<b>56,347,914</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 2022

	Contributed Equity	Share Based Payments Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total
	\$	\$	\$	\$	\$
<b>Consolidated</b>					
<b>Balance at 1 July 2020</b>	99,753,504	736,587	(5,852,354)	(43,131,429)	51,506,308
Loss for the period	-	-	-	(2,054,237)	(2,054,237)
Other comprehensive income, net of tax	-	-	(303,597)	-	(303,597)
Total comprehensive income	-	-	(303,597)	(2,054,237)	(2,357,834)
<b>Transactions with owners in their capacity as owners</b>					
Share based payments	-	189,017	-	-	189,017
Shares issued, net of costs	7,010,423	-	-	-	7,010,423
	7,010,423	189,017	-	-	7,199,440
<b>Balance at 30 June 2021</b>	106,763,927	925,604	(6,155,951)	(45,185,666)	56,347,914
<b>Balance at 1 July 2021</b>	<b>106,763,927</b>	<b>925,604</b>	<b>(6,155,951)</b>	<b>(45,185,666)</b>	<b>56,347,914</b>
Loss for the period	-	-	-	(4,329,116)	(4,329,116)
Other comprehensive income, net of tax	-	-	(1,717,869)	-	(1,717,869)
Total comprehensive income	-	-	(1,717,869)	(4,329,116)	(6,046,985)
<b>Transactions with owners in their capacity as owners</b>					
Share based payments	-	232,200	-	-	232,200
	-	232,200	-	-	232,200
<b>Balance at 30 June 2022</b>	<b>106,763,927</b>	<b>1,157,804</b>	<b>(7,873,820)</b>	<b>(49,514,782)</b>	<b>50,533,129</b>

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 2022

	Note	Consolidated	
		June 2022 \$	June 2021 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Payments to suppliers and employees (inclusive of GST and VAT)		(2,461,808)	(1,515,086)
Interest received		9	482
Other receipts		-	50,000
GST and VAT received		93,187	41,953
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	25	<b>(2,368,612)</b>	<b>(1,422,651)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for exploration and evaluation assets		(1,991,033)	(797,340)
Payment for subsidiaries, net of cash acquired		-	-
Payment for contract assets		(647,967)	-
Payment for property, plant and equipment		(274,654)	(42,556)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(2,913,654)</b>	<b>(839,896)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		-	7,725,754
Proceeds from issue of convertible debt securities	13	7,036,000	-
Issue costs		(167,973)	(526,314)
Payments of lease liabilities		(15,997)	(12,217)
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>		<b>6,852,030</b>	<b>7,187,223</b>
Net (decrease)/increase in cash held		1,569,764	4,924,676
Cash at the beginning of the period		6,385,384	1,576,471
Effects of exchange rate changes on cash		(80,123)	(115,763)
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	6	<b>7,875,025</b>	<b>6,385,384</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 28.

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 to develop power solutions in Sub-Saharan Africa through Coalbed Methane (CBM) gas-fired power, solar power, and hydrogen projects. No revenue from these activities has been earned to date, as the consolidated entity is still in the exploration and evaluation or pre-development stage.

#### Currency

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

#### Authorisation of financial report

The financial report was authorised for issue on 19 September 2022.

#### 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 except for derivative financial instruments which are measured at fair value.

#### *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 the functional currency 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. Refer to Note 16 for accounting policy on translation of foreign operations.

## 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 or pre-development companies, such as Tlou Energy Limited, find it necessary on a regular basis to raise additional cash funds for future exploration and development activity and meet other necessary corporate expenditure. The Company has recently completed a capital raising by way of convertible note (refer to note 13) 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. The Consolidated Entity does not expect the COVID-19 pandemic to adversely impact its ability to raise further capital.

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.

**COVID-19 Impacts**

The Company's field operations remained relatively unaffected by COVID-19, however corporate and administrative functions were partly impacted. Staff worked remotely when possible and followed enhanced social distancing and health and safety procedures. Access to Botswana by external staff and consultants was restricted for some time but the situation has now returned to normal.

**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.

## Notes to the financial statements (continued)

## Note 1 Significant accounting policies (continued)

**(b) Income recognition***Interest*

Interest income 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 income*

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

**(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.

## Notes to the financial statements (continued)

## Note 1 Significant accounting policies (continued)

**(f) Financial Instruments***Classification*

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 group'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.

*Impairment*

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.

*Derivative financial instruments*

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The fair value adjustment is through profit or loss.



## Notes to the financial statements (continued)

## Note 1 Significant accounting policies (continued)

**(g) Leases**

The Group leases office space and a leasehold property. Office contracts are typically made for fixed periods of 1 to 5 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Leasehold property is for periods up to 50 years.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease Liabilities

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases that relate to building premises, the entity's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security, and conditions.

To determine the incremental borrowing rate, the Group uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received, making adjustments specific to the lease (e.g., term, country, currency, and security).

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use Assets

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Low Value Assets

Payments associated with leases of low value assets are recognised on a straight-line basis as an expense in profit or loss. Low value assets comprise small items of office equipment.

Notes to the financial statements (continued)

Note 1 Significant accounting policies (continued)

**(h) Borrowings**

Financial liabilities

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost using the effective interest method.

The Consolidated entity's financial liabilities measured at amortised cost include trade and other payables and the host liability of convertible notes.

Convertible notes

The conversion feature included in convertible notes is assessed to determine if it satisfies or fails the fixed-for-fixed requirement to be classified as a compound financial instrument containing an equity component. If this requirement is failed the notes are separated into the host liability and the derivative liability component of the notes.

Subsequent to initial recognition any changes in fair value of the derivative liability at each balance date are recognised in profit or loss.

The host liability is subsequently recognised on an amortised cost basis until extinguished on conversion or maturity of the notes.

## Notes to the financial statements (continued)

## Note 1 Significant accounting policies (continued)

**(i) Revenue**

The consolidated entity currently does not recognise any revenue from the sale of gas but may do in future.

*Revenue from contracts with customers*

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

*Contract costs*

The consolidated entity has recognised an asset in relation to contract costs in relation to the Power Purchase Agreement (PPA) entered into with the Botswana Power Corporation (BPC). As part of that agreement the consolidated entity entered into a Connection Agreement whereby Tlou Energy Limited is to develop, construct and finance a 66kV transmission line for the connection of the gas fuelled power plant to the BPC network and transfer same to BPC. Expenditure on the transmission line is considered a contract cost under AASB 15 as it was an incremental cost of obtaining the PPA 10MW contract with BPC.

This is presented within non-current assets in the statement of financial position – refer Note 10.

The asset will be amortised on a straight-line basis over a 10-year period, consistent with the pattern of recognition of the associated revenue once revenue from the contract begins (construction of the transmission line has not yet been completed as at 30 June 2022).

The consolidated entity updates the amortisation if there's a significant change in the consolidated entity's expected timing of transfer to the customer of the goods or services to which the asset relates. Such a change is accounted for as a change in accounting estimate.

The consolidated entity recognises an impairment loss in profit or loss to the extent that the carrying amount of an asset recognised exceeds: the remaining amount of consideration that the consolidated entity expects to receive in exchange for the goods or services to which the asset relates; less the costs that relate directly to providing those goods or services and that have not been recognised as expenses.

The consolidated entity recognises in profit or loss a reversal of some or all of an impairment loss previously recognised when the impairment conditions no longer exist or have improved. The increased carrying amount of the asset will not exceed the amount that would have been determined (net of amortisation) if no impairment loss had been recognised previously.

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

There were no new or revised accounting standards adopted that had any impact on the Group's accounting policies and required retrospective adjustments.

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

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2022 reporting periods. The consolidated entity has decided against early adoption of these standards. The consolidated entity has assessed the impact of these new standards that are not yet effective and determined that they are not expected to have a material impact on the consolidated entity in the current or future reporting periods and on foreseeable future transactions.

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 and liabilities. 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 must rely on the same business test. As at 30 June 2022 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**

	<b>Consolidated</b>	
	<b>June 2022</b>	<b>June 2021</b>
Loss before income tax includes the following specific expenses:	\$	\$
Employee benefits expense		
• Defined contribution superannuation expense	<b>64,637</b>	47,767
• Performance rights	<b>232,200</b>	-
• Other employee benefits expense	<b>618,993</b>	555,504
	<b>915,830</b>	603,271
Other expenses include the following specific items:		
• Travel and accommodation costs	<b>75,695</b>	8,407
• Consultants	<b>443,082</b>	277,753
• Stock exchange, advisory, secretarial fees	<b>258,001</b>	298,061
• Insurance	<b>73,156</b>	80,146

**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 2022	June 2021
	\$	\$
Loss before income tax	(4,329,116)	(2,054,237)
Tax at the domestic tax rates applicable to profits in the country concerned	(1,298,735)	(616,271)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Other non-deductible items	1,142,896	71,431
Difference in overseas tax rates	(97,877)	(233,976)
Deferred tax asset not recognised	253,716	778,816
Income tax benefit	-	-
<b>Recognised deferred tax assets</b>		
Unused tax losses	6,327,074	6,924,354
	<b>6,327,074</b>	<b>6,924,354</b>
<b>Recognised deferred tax liabilities</b>		
Assessable temporary differences	6,327,074	6,924,354
	<b>6,327,074</b>	<b>6,924,354</b>
<b>Net deferred tax liability recognised</b>	-	-
<b>Unrecognised temporary differences and tax losses</b>		
Unused tax losses and temporary differences for which no deferred tax asset has been recognised	45,777,185	42,174,829

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 2022	June 2021
	\$	\$
Reconciliation of earnings used in calculating basic and diluted loss per share:		
Loss for the year attributable to owners of Tlou Energy Limited	(4,329,116)	(2,054,237)
Loss used in the calculation of the basic and dilutive loss per share	(4,329,116)	(2,054,237)
Weighted average number of ordinary shares used as the denominator		
Number used in calculating basic and diluted loss per share	Number 600,199,039	Number 538,346,800

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 include 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.

	<b>Consolidated</b>	
	<b>June 2022</b>	<b>June 2021</b>
	<b>\$</b>	<b>\$</b>
Cash at bank	<b>7,875,025</b>	6,385,384
	<b>7,875,025</b>	<b>6,385,384</b>

**Note 7. 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 2022</b>	<b>June 2021</b>
	<b>\$</b>	<b>\$</b>
Exploration and evaluation assets	<b>49,232,167</b>	48,855,466
	<b>49,232,167</b>	<b>48,855,466</b>
<b>Movements in exploration and evaluation assets</b>		
Balance at the beginning of period	<b>48,855,466</b>	48,163,968
Exploration and evaluation expenditure during the year	<b>1,926,164</b>	912,029
Impairment expense	<b>(166,054)</b>	-
Foreign currency translation	<b>(1,383,409)</b>	(220,531)
Balance at the end of period	<b>49,232,167</b>	<b>48,855,466</b>

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.

The group has relinquished one prospecting licence and the related expenditure previously capitalised has been fully impaired and written off.

Notes to the financial statements (continued)

**Note 8. Other non-current assets**

Inventory and well consumables are valued at lower of cost and 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 2022</b>	<b>June 2021</b>
	<b>\$</b>	<b>\$</b>
Inventory and well consumables - at cost	<b>602,112</b>	626,352
	<b>602,112</b>	626,352

**Note 9. 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 and amortisation is calculated on a straight-line basis to write off the net cost of each item of plant and equipment and right of use assets over their expected useful lives as follows:

Plant and equipment    3-7 years

Right-of-use assets    over the actual or expected term of the lease

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.

	<b>Consolidated</b>	
	<b>June 2022</b>	<b>June 2021</b>
	<b>\$</b>	<b>\$</b>
Right-of-use assets, plant and equipment at cost	<b>4,186,262</b>	4,249,527
Accumulated depreciation	<b>(3,819,770)</b>	(3,405,191)
	<b>366,492</b>	844,336

**Movements in Carrying Amounts**

Movement in the carrying amounts between the beginning and the end of the current financial year:

Balance at the beginning of year	<b>844,336</b>	1,273,953
Additions	<b>104,254</b>	175,194
Depreciation and amortisation	<b>(547,217)</b>	(597,189)
Foreign exchange movements	<b>(34,881)</b>	(7,622)
Carrying amount at the end of year	<b>366,492</b>	844,336

Included in property, plant and equipment are right-of-use assets with a carrying value of \$70,323 (2021: \$82,114).



## Notes to the financial statements (continued)

**Note 10. Contract costs**

	Consolidated	
	June 2022	June 2021
	\$	\$
Contract costs - transmission line	948,446	-
	948,446	-

The Company entered a contract during the reporting period for the construction of transmission line from the Company's Lesedi Power Project to the town of Serowe in Botswana. The expected cost of this contract is approximately BWP 60m (~\$7m). Of this expected total, \$948,446 has been capitalised at 30 June 2022.

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

**Note 11. 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 2022	June 2021
	\$	\$
<b>Current</b>		
Trade payables	445,994	47,320
Accruals	95,337	78,911
Other payables	22,268	8,896
	563,599	135,127

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

## Notes to the financial statements (continued)

**Note 12. 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.

*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.

*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.

*Employee benefits – Botswana Severance*

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

*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 2022</b>	<b>June 2021</b>
	<b>\$</b>	<b>\$</b>
<b>Current</b>		
Employee benefits	<b>189,912</b>	199,738
Employee benefits - Botswana severance	<b>129,991</b>	97,898
	<b>319,903</b>	297,636
<b>Non-current</b>		
Rehabilitation	<b>113,000</b>	114,000
	<b>113,000</b>	114,000
<b>Movements in rehabilitation provision during the year</b>		
Balance at the beginning of the year	<b>114,000</b>	114,000
Completed during the year	<b>(1,000)</b>	-
Carrying amount at the end of the year	<b>113,000</b>	114,000

## Notes to the financial statements (continued)

**Note 13. Convertible notes**

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

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

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

The notes fail the fixed-for-fixed requirement to be classified as a compound financial instrument containing an equity component. As a result, the notes have been separated into the host liability and the derivative liability component of the notes.

On initial recognition the fair value of the embedded derivative has been calculated first with the residual value being assigned to the host liability, as shown below:

	Consolidated	
	June 2022	June 2021
	\$	\$
Face value of notes issued	7,036,000	-
Derivative – refer note 14	(73,482)	-
Issue costs	(167,673)	-
Host liability on initial recognition	6,794,845	-
Interest expense	241,917	-
Interest paid	-	-
Effect of foreign exchange movement	226,881	-
Non-current host liability	7,263,643	-
Total Borrowings	7,263,643	-

Interest expense is calculated by applying the effective interest rate of 8.08% to the host liability component.

The initial fair value of the derivative portion of the note was determined using a binomial option model on issue date.

The host liability is subsequently recognised on an amortised cost basis until extinguished on conversion or maturity of the notes.

The derivative is subsequently recognised at fair value at each reporting date – refer note 14 for further details.

## Notes to the financial statements (continued)

**Note 14. Derivatives**

	Consolidated	
	June 2022	June 2021
<u>Current</u>	\$	\$
Opening balance	-	-
Fair value movement recognised in profit or loss	696,153	-
Closing balance	696,153	-
	Consolidated	
	June 2022	June 2021
	\$	\$
<u>Non-current</u>		
Opening balance	-	-
On initial recognition	73,482	-
Fair value movement recognised in profit or loss	(5,882)	-
Closing balance	67,600	-

Current derivatives relate to a forward contract entered by the Company to sell USD and purchase BWP.

Non-current derivatives relate to the conversion feature included in the convertible notes issued on 24 January 2022 – refer Note 13. The initial fair value and the value as at 30 June 2022 of the derivative portion of the note was determined using a binomial option model.

*Fair value measurements*

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- (b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The fair value of the consolidated entity's derivatives is determined using valuation techniques as they are not traded in an active market. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. The conversion feature derivative is considered to be a level 3 measurement as the binomial pricing model includes unobservable inputs.

Foreign currency forward contracts have been valued using the present value of future cash flows based on the forward exchange rates at balance date. The foreign currency forward contract is considered to be a level 3 measurement as the valuation model includes unobservable inputs.

Changes in the value of the derivatives that have been recognised are included in the tables above.

## Notes to the financial statements (continued)

**Note 15. 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.

	June 2022	June 2021	Consolidated	
			June 2022	June 2021
	Shares	Shares	\$	\$
Opening balance	<b>600,199,039</b>	450,180,185	<b>106,763,927</b>	99,753,504
Issue of ordinary shares during the year	-	150,018,854	-	7,725,754
Share issue costs	-	-	-	(715,331)
Ordinary shares - fully paid	<b>600,199,039</b>	600,199,039	<b>106,763,927</b>	106,763,927

**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.

**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.

Notes to the financial statements (continued)

## **Note 16. 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 and performance rights granted to employees and others under equity-settled share-based payment arrangements.

## **Note 17. Share-based payments**

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

Equity-settled transactions are awards of shares, options or performance rights over shares that are provided to employees or other service providers 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 17 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.

Options

At 30 June 2022, the following options for ordinary shares in Tlou Energy Limited were on issue. 6,250 of these options were converted to ordinary shares in July 2022. All the remaining options expired on 20 July 2022.

<b>Issued to:</b>	<b>Grant Date</b>	<b>Exercise Price</b>	<b>Expiry Date</b>	<b>30/06/2022</b>	<b>30/06/2021</b>
Shareholders	20-Jul-20	\$0.08	20-Jul-22	37,509,400	37,509,400
Service providers	20-Jul-20	\$0.08	20-Jul-22	20,000,000	20,000,000
				<u>57,509,400</u>	<u>57,509,400</u>

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

The fair value of options at grant date is determined using generally accepted valuation techniques that take into account exercise price, the term of the option, the impact of dilution, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield and the risk-free rate for the term of the option/performance right and an appropriate probability weighting to factor the likelihood of the satisfaction of non-vesting conditions. The expected volatility is based on historic volatility, adjusted for any expected changes to future volatility due to publicly available information.

## Notes to the financial statements (continued)

## Note 17 Share based payments (continued)

Performance Rights

At 30 June 2022, the following performance rights were on issue.

No. of Performance Rights	Reference	Date of Approval	Share price at approval date	Vesting Price
2,225,000	(i)	17-Oct-18	\$0.11	\$0.165
2,225,000	(ii)	17-Oct-18	\$0.11	\$0.22
2,275,000	(iii)	10-Nov-16	\$0.14	\$0.28
3,000,000	(iv)	24-Nov-21	\$0.064	\$0.10
3,000,000	(v)	24-Nov-21	\$0.064	\$0.165

	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.
(iv)	The closing price of the Shares being 50% or more above the price at the date of shareholder approval or AUD\$0.10 whichever is the greater, in the Company for a period of 10 consecutive trading days.
(v)	The closing price of the Shares being 100% or more above the price at the date of approval or AUD\$0.165 whichever is the greater, in the Company for a period of 10 consecutive trading days.

**Fair value of options granted**

The fair value at grant date is determined using a binomial 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.

The model inputs for options granted during the year ended 30 June 2022 included:

- (a) Performance rights are granted for no consideration and vest based on the conditions noted above
- (b) exercise price: \$nil
- (c) grant date: 24 November 2021
- (d) expiry date: 31 January 2025
- (e) share price at grant date: \$0.064
- (f) expected price volatility: 100%
- (g) expected dividend yield: 0%
- (h) risk-free interest rate: 1.44%

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

The following table shows the number, movements and vesting price of performance rights for the 2022 year.

Date of Approval	Vesting Price	1/07/2021	Issued	Exercised	Expired	30/06/2022
17 October 2018	\$0.165	2,225,000	-	-	-	2,225,000
17 October 2018	\$0.22	2,225,000	-	-	-	2,225,000
10 November 2016	\$0.28	2,275,000	-	-	-	2,275,000
24 November 2021	\$0.10	-	3,000,000	-	-	3,000,000
24 November 2021	\$0.165	-	3,000,000	-	-	3,000,000
		6,725,000	6,000,000	-	-	12,725,000

The following table shows the number, movements and vesting price of performance rights for the 2021 year.

Date of Approval	Vesting Price	1/07/2020	Issued	Exercised	Expired	30/06/2022
17 October 2018	\$0.165	2,475,000	-	-	250,000	2,225,000
17 October 2018	\$0.22	2,475,000	-	-	250,000	2,225,000
10 November 2016	\$0.28	2,275,000	-	-	-	2,275,000
		7,225,000	-	-	500,000	6,725,000



## Notes to the financial statements (continued)

## Note 17 Share based payments (continued)

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

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

	<b>Consolidated</b>	
	<b>June 2022</b>	<b>June 2021</b>
	\$	\$
Performance rights	<b>232,200</b>	-
	<b>232,200</b>	-

The weighted average remaining contractual life of performance rights outstanding at the end of the period is 2.41 years (2021: 3.26 years).

**Note 18. Commitments****Exploration expenditure:**

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

	<b>Consolidated</b>	
	<b>June 2022</b>	<b>June 2021</b>
	\$	\$
Minimum expenditure requirements		
• not later than 12 months	<b>451,575</b>	438,647
• between 12 months and 5 years	<b>165,103</b>	761,157
	<b>616,678</b>	1,199,804

**Contract Assets:**

The consolidated entity also has entered into a contract to construct a transmission line for approximately BWP 60m (~\$7m). Of this expected total, \$948,446 has been capitalised at 30 June 2022. Refer Note 10 for further details

## Notes to the financial statements (continued)

**Note 19. 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:

	<b>Consolidated</b>	
	<b>June 2022</b>	<b>June 2021</b>
<b>Financial Assets</b>	<b>\$</b>	<b>\$</b>
Cash and cash equivalents	<b>7,875,025</b>	6,385,384
Trade and other receivables	<b>424,220</b>	267,258
	<b>8,299,245</b>	6,652,642
<b>Financial Liabilities</b>		
Trade and other payables	<b>633,921</b>	221,447
Convertible notes	<b>7,263,643</b>	-
Derivatives	<b>763,753</b>	-
	<b>8,661,317</b>	221,447

**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. During the current year the consolidated entity has entered into a foreign exchange forward contract to mitigate its foreign exchange risk. 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 any other derivative transactions (apart from its foreign exchange forward contract) 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.

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.

## Notes to the financial statements (continued)

## Note 19 Financial instruments (continued)

**(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 2022</b>				
Cash and cash equivalents	78,750	(78,750)	78,750	(78,750)
<b>Consolidated - 30 June 2021</b>				
Cash and cash equivalents	63,854	(63,854)	63,854	(63,854)

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 \$7,875,025 (2021: \$6,385,384).

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

	Within	Between	Total	Carrying
	1 Year	1 - 5 years	Contractual	Amount
	\$	\$	Cash Flows	\$
<b>Consolidated - 30 June 2022</b>				
Trade and other payables	577,391	56,530	633,921	633,921
Convertible notes & derivatives	696,153	10,341,158	11,037,311	8,027,396
<b>Consolidated - 30 June 2021</b>				
Trade and other payables	148,294	73,153	221,447	221,447

Notes to the financial statements (continued)

Note 19 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.

During the current year the consolidated entity has entered into a foreign exchange forward contract to mitigate its foreign exchange risk. Apart from this contract 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:

	2022 USD A\$	2022 BWP A\$	2022 ZAR A\$	2022 GBP A\$	2021 USD A\$	2021 BWP A\$	2021 ZAR A\$	2021 GBP A\$
<b>Financial Assets</b>								
Cash and cash equivalents	6,143,514	339,500	20,969	1,188,501	26,105	31,605	26,107	5,771,868
Trade and other receivables	-	389,727	-	-	-	264,594	-	-
<b>Financial Liabilities</b>								
Trade and other payables	-	(443,622)	-	-	-	(55,520)	-	-
<b>Net Financial Instruments</b>	<b>6,143,514</b>	<b>285,605</b>	<b>20,969</b>	<b>1,188,501</b>	<b>26,105</b>	<b>240,679</b>	<b>26,107</b>	<b>5,771,868</b>

**Foreign currency rate sensitivity**

Based on financial instruments held at 30 June 2022, 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
2022	\$	\$	\$	\$
Dollar (US)	(614,351)	614,351	(614,351)	614,351
Pula (Botswana)	(28,561)	28,561	(28,561)	28,561
Rand (South Africa)	(2,097)	2,097	(2,097)	2,097
Pound (UK)	(118,850)	118,850	(118,850)	118,850
<b>2021</b>				
Dollar (US)	(2,611)	2,611	(2,611)	2,611
Pula (Botswana)	(24,068)	24,068	(24,068)	24,068
Rand (South Africa)	(2,611)	2,611	(2,611)	2,611
Pound (UK)	(577,187)	577,187	(577,187)	577,187

## Notes to the financial statements (continued)

## Note 19 Financial instruments (continued)

**(c) Foreign exchange risk (continued)***Forward foreign exchange rates*

As noted above the consolidated entity has entered into foreign exchange forward contracts to mitigate its foreign exchange risk. The maturity and settlement amounts of the consolidated entity's outstanding forward foreign exchange contracts at the reporting date were as follows:

	Sell US Dollars	
	2022	2021
Buy Pula (BWP)	USD\$	USD\$
Maturity:		
<b>0 – 3 months</b>	679,488	-
<b>3 – 6 months</b>	2,652,635	-
<b>6 – 12 months</b>	1,632,602	-

The valuation of the forward exchange contract was based on a market reference rate of 12.43BWP compared to a strike price of 11.6BWP. Based on the financial instruments held as at 30 June 2022, had the Pula weakened/strengthened by 10% against the US dollar with all other variables held constant, the movement in the value of the forward foreign exchange contract would not have been material to the consolidated entity's financial statements.

**(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.

Notes to the financial statements (continued)

**Note 20. 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.

**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 2022</b>	<b>June 2021</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	<b>626,196</b>	538,866
Post-employment benefits	<b>71,847</b>	58,323
Other long-term benefits	-	40,332
	<b>698,043</b>	637,521
	<hr/>	
Share based payments	<b>232,200</b>	-
	<b>930,243</b>	637,521
	<hr/>	

**Note 21. Auditors' Remuneration**

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

	<b>Consolidated</b>	
	<b>June 2022</b>	<b>June 2021</b>
	<b>\$</b>	<b>\$</b>
Audit services		
Auditing or reviewing the financial statements - BDO Australia	<b>48,675</b>	49,250
Auditing or reviewing the financial statements - BDO Botswana	<b>34,580</b>	27,819
Non-audit services - BDO Australia		
Tax consulting and compliance services	<b>9,575</b>	13,900
Total	<b>92,830</b>	90,969
	<hr/>	

**Note 22. Contingent Liabilities**

The Directors are not aware of any contingent liabilities (2021: nil).

Notes to the financial statements (continued)

**Note 23. Related Party Transactions****Parent entity**

The legal parent entity is Tlou Energy Limited.

**Subsidiaries**

Interests in subsidiaries are set out in note 26.

**Transactions with related parties**

The following transactions occurred with related parties:

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</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>12,900</b>	12,000

There were no amounts payable as at 30 June 2022 (2021: Nil).

**Note 24. Segment Reporting****Reportable Segments**

Operating segments are identified based on internal reports that are regularly reviewed by the executive team 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 2022 no revenue has been derived from its operations (2021: nil).

**Segment assets**

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

	<b>June 2022</b>	<b>June 2021</b>
	<b>\$</b>	<b>\$</b>
Botswana	<b>51,147,251</b>	50,321,772
Australia	<b>1,966</b>	4,382
	<b>51,149,217</b>	50,326,154

## Notes to the financial statements (continued)

**Note 25. Cash Flow Information**

	Consolidated	
	June 2022	June 2021
	\$	\$
<b>Reconciliation of cash flow from operations</b>		
Loss for the period	(4,329,116)	(2,054,237)
Depreciation	547,217	597,189
Share-based payments	232,200	-
Impairment charge - exploration and evaluation assets	166,054	-
Fair value (gain)/loss on financial instruments	690,272	-
Capitalised interest	241,917	-
Net exchange differences	43,997	(25,915)
Changes in operating assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
Decrease/(increase) in trade and other receivables	(56,631)	(60,459)
Increase/(decrease) in trade payables and accruals	113,596	(26,336)
Increase/(decrease) in other payables	(15,997)	-
Decrease/(increase) in prepayments	(5,053)	85,481
Increase/(decrease) in provisions	2,932	61,626
	<b>(2,368,612)</b>	<b>(1,422,651)</b>

Refer to Notes 13 and 14 for non-cash investing or financing activities during the year.

**Note 26. 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 2022	June 2021
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
Pula Holdings Inc	Barbados	Ordinary	100	N/A
Tlou Energy Generation Proprietary Limited	Botswana	Ordinary	100	N/A

Pula Holdings Inc and Tlou Energy Generation Proprietary Limited were incorporated during the year. These companies have not yet traded.



## Notes to the financial statements (continued)

**Note 27. 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.

**Note 28. Parent entity disclosures**

	Parent	
	June 2022	June 2021
	\$	\$
Current assets	7,650,332	6,381,260
Non-current assets	30,255,800	30,218,134
<b>Total assets</b>	<b>37,906,131</b>	<b>36,599,394</b>
Current liabilities	1,000,468	263,935
Non-current liabilities	7,331,243	-
<b>Total liabilities</b>	<b>8,331,711</b>	<b>263,935</b>
<b>Net assets</b>	<b>29,574,420</b>	<b>36,335,459</b>
Contributed equity	106,763,925	106,763,927
Share based payment	1,157,804	925,604
Accumulated losses	(78,347,309)	(71,354,072)
<b>Total equity</b>	<b>29,574,420</b>	<b>36,335,459</b>
Loss for the period	(6,993,237)	(2,124,228)
<b>Total comprehensive income</b>	<b>(6,993,237)</b>	<b>(2,124,228)</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 reporting 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 2022 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 2022 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  
19 September 2022

## Independent Auditor's Report

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## 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”).

The Company complies with the corporate governance regime of Australia, being its country of incorporation. In addition, the Directors acknowledge the importance of the guidelines set out in the QCA Guidelines for Smaller Quoted Companies. They therefore intend to comply with the QCA Guidelines so far as is appropriate having regard to the size and nature of the Company and taking into account that it is an Australian company listed on the ASX which complies with existing ASX Recommendations.

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 2022 its practices are taking into account the size and makeup of the Company is 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 7 September 2022 and has been approved by the Board of Directors.

### **Role of the Board (Lay solid foundations for management and oversight)**

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 that the 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 implementation of this strategy and the achievements against these.

(ASX Recommendation 1.1)

## The Board of Directors

The Board is currently comprised of five (5) 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

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 shareholder's decision to elect or re-elect a director is provided to shareholder 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 also Letters of Appointment between the Company and all of the non-executive directors. Each of these letters of appointment are with the director personally to ensure that the director or senior executive is personally accountable to the listed entity for any breach of the agreement. These agreements contain provisions that amongst other matters include:

- An obligation on the director to disclose his/her interests and any matters which could affect the director's independence;
- a requirement to comply with key corporate policies, including the entity's code of conduct, its anti-bribery and corruption policy and its trading policy;
- the requirement to notify the Company of, or to seek its approval before accepting, any new role that could impact upon the time commitment expected of the director or give rise to a conflict of interest;
- details of the Company's policy on when directors may seek independent professional advice at the expense of the entity;
- indemnity and insurance arrangements;
- ongoing rights of access to corporate information; and
- ongoing confidentiality obligations

(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. Where possible it endeavours to recruit staff from within Botswana. 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 and effectiveness of the Board and its committees. 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 involves 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 Chief Executive Officer/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 be Effective and Add Value**

The Board comprises two non-executive Directors, including the Chairman, and three executive Directors including the 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 has established a Remuneration and Nomination Committee which reviews Board membership. This includes considering what other skills that might be necessary for the Company to reach its strategic objectives. The Committee is now constituted with two independent non-executive directors and is chaired by an independent director which satisfies ASX Recommendation 2.1 in those respects but does not meet the minimum 3 member criteria due to the passing of Linah Mahalo who was the Board's third independent non-executive director. When a replacement director is appointed, the Board envisages that the person appointed will be an independent non-executive director, who will be able to fill this vacancy.

The Board is however of the view that the Committee as it currently exists adequately and successfully fulfills this role, obviating any urgent need to fill the role.

A copy of the Remuneration and Nominations Committee Charter is located on the Company's website.

The current Committee's members, and 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 2022 Annual Report headed "Directors Report".  
(ASX Recommendation 2.1)

### Independence

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 able to be treated as independent, particularly given the criteria outlined above, and in those cases 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 that a majority 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, two of the 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 McIver) and High Swire are both considered as independent non-executive directors as they both fall within the Council's definition of 'independence' as being non-executive directors who are not members of management and who are 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 the 4<sup>th</sup> Edition Recommendations in respect to the composition of the Board are not strictly able to be followed (that being the majority of the Board should be independent and non-executives) the Company believed that it had achieved a sufficient balance before the sad passing of Linah Mohohlo, with 3 independent non-executive directors on the Board, especially given its history and the formation of the Board reflects certain founding members. The Company looks to restore that balance, but it has proved impractical at this juncture to restore the equilibrium or have a majority of independent Directors.

While this is the desire of the Board it takes the view that the interests of the Shareholders are at this time best served with the Board's present composition and remains committed to monitoring the situation as the operations and size of the Company evolves and appoint at the appropriate time an appropriately qualified independent director/s as the opportunities and necessity arise.

(ASX Recommendation 2.4 and 2.5)

If a Board vacancy becomes available it will be the responsibility of the Remuneration and Nomination 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.

Detailed below are the professional skills and experience that that Company will and has used to assess the relevant criteria for candidates for appointment to the Board.

## Board Skills Matrix

- • Accounting & Audit.
- • ASX Board Membership Experience.
- • Business Management.
- • Strategic Planning.
- • Subsurface Knowledge.
- • Drilling & Completions Construction & Project Mgmt.
- • Human Resources.
- • Operational Experience and HSE
- • Corporate Governance & Ethics.
- • Corporate Finance.
- • Government & Gov Relations (Botswana).
- • Legal Public Affairs & Communications.
- • Management Systems & Risk Management
- • Merger & Acquisitions & Corporate.
- • External Shareholder Engagement Political Acumen.
- • Industry Stakeholder Engagement.
- • Social Licence to Operate.
- • Foreign Country Operating Experience

(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 him 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:

- Hugh Swire – Independent Chair
- Martin McIver – Independent Committee Member
- Colm Cloonan – Committee Member
- Anthony Gilby – Committee Member

## **Instil a Culture of Acting Lawfully, Ethically and Responsibly**

The Board maintains high standards of ethical conduct and the CEO is responsible for ensuring that high standards of conduct are maintained by all staff. The Company's reputation as an ethical business organisation is critical to its ongoing success. The Board has adopted a Code of Conduct covering the practices necessary to maintain confidence in the Company's integrity, the practices necessary to take into account the Company's legal obligations and reasonable expectations of its stakeholders, and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. It is not a prescriptive set of rules but rather a practical set of principles giving direction and reflecting the Company's approach to business conduct.

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. The CEO is responsible for bringing to the attention of the Board any material breaches of the code.

(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 of 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 Recommendations 3.3 and 3.4)

### **Safeguard the Integrity of Corporate Reports**

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 did not comply with this recommendation as it comprised then and now 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. Not all of the members of the Audit Committee were non-executive, but those that were non-executives are considered independent.

Colm Cloonan and Anthony Gilby are members of the Committee who are executive directors. Hugh Swire, who is an independent non-executive director, is the current Chair of the Committee. Martin McIver is the other Committee member who is an independent non-executive director.

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 is obliged to report any significant issues arising from the Committee Meetings at the next meeting of the Board and a copy of the minutes of the Audit Committee meetings are provided to 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 only periodic finance-based reports that the Company releases each year are the Full Year and Half Year accounts along with the quarterly Appendix 5B's. The half year and full year accounts are audited and signed off by the Company's independent external Auditors. While the quarterly Appendix 5B's are prepared internally, they are done so utilising the same accounting principles and accounts on which the audited half year and full year accounts are prepared and released. Copies of the Quarterly reports are also reviewed by the Auditors as part of the half year and full year audits.

Additionally, the Quarterly reports are circulated to the Board as a whole before their release at which time the Board as a whole are invited to comment or raise any questions in respect to the same. These reports are released with the authority of the Board.

(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
- ASX Announcements
- Quarterly Reports
- Half Yearly Reports
- Annual Reports; and
- 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, BSE 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 director, employee and consultant engaged by the Company is provided with a copy of the policy while impressing upon them during their onboarding and induction the importance of the principles behind the policy and its application to them in that role.

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 they 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 proxy voting and the ability of stakeholders to subscribe to receive copies of announcements and reports that are released by the Company.

The Policy is also designed to ensure that equality of information among investors is maintained and applies regardless of whether the presentation contains material new information required to be disclosed under listing rule 3.1 through ensuring that copies of all substantive presentations are released to the Market on the ASX Platform.

(ASX Recommendations 5.1 and 5.3)

## **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, which is available at: [https://tlouenergy.com/corporate\\_governance/](https://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 lodge a proxy 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 substantive, material or contentious, Resolutions 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 Recommendations 6.4 and 6.5)



## **Recognise and Manage 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 faces 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. The Company considers that its activities are focused in Botswana on the generation of energy, which in turn will help drive economic growth in the low carbon economy through displacement of carbon intensive coal and diesel with power generation using gas, solar and hydrogen having an enormous potential role to play as the country develops.

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 2022 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)

Approved by the Board

7 September 2022

## Additional Information

### 1. Shareholder Information

The shareholder information set out below was applicable as at 9 September 2022 and relates to shares held on the ASX, AIM and BSE.

### 2. Ordinary Share Capital

600,205,289 fully paid ordinary shares.

### 3. Number of Equity Holders

Ordinary Share Capital held by 799 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	51	9,678	0.0%
1,001 - 5,000	30	101,959	0.0%
5,001 - 10,000	81	649,333	0.1%
10,001 - 50,000	203	5,160,125	0.9%
50,001 - 100,000	109	8,573,697	1.4%
100,001 - maximum	325	585,710,497	97.6%
	<u>799</u>	<u>600,205,289</u>	<u>100.0%</u>

### 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: AG BPOPF Equity	47,230,769	7.87%
Investor Group – Anthony Gilby	34,489,580	5.75%

**7. The 20 Largest Holders of Ordinary Shares**

	Ordinary Fully Paid Shares Held	% of Issued Ordinary Capital
FNBB Nominees Re: Vunani BPOPF	47,230,769	7.87%
Hargreaves Lansdown (Nominees) Limited <15942>	35,391,165	5.90%
Interactive Investor Services Nominees Limited <SMKTISAS>	32,143,415	5.36%
Hargreaves Lansdown (Nominees) Limited <VRA>	27,522,027	4.59%
Jim Nominees Limited <JARVIS>	21,434,053	3.57%
Vidacos Nominees Limited <IGUKCLT>	15,327,478	2.55%
Gilby Super Pty Ltd	15,299,570	2.55%
HSDL Nominees Limited <MAXI>	14,161,423	2.36%
Barclays Direct Investing Nominees Limited <Client1>	14,136,477	2.36%
Mitchell Family Investments (Qld) Pty Ltd	14,050,014	2.34%
Citicorp Nominees Pty Limited	13,149,034	2.19%
Kabila Investments Pty Limited	12,953,399	2.16%
Sixth Erra Pty Ltd	12,117,872	2.02%
Lawshare Nominees Limited <SIPP>	10,863,682	1.81%
Interactive Investor Services Nominees Limited <SMKTNOMS>	10,826,678	1.80%
Gilby Super Pty Ltd	10,287,791	1.71%
Hargreaves Lansdown (Nominees) Limited <HLNOM>	9,292,222	1.55%
Interactive Investor Services Nominees Limited <TDWHSIPP>	8,851,002	1.47%
BNP Paribas Noms Pty Ltd	7,892,531	1.31%
HSDL Nominees Limited <IWMAXI>	7,121,392	1.19%
<b>Total</b>	<b>340,051,994</b>	<b>56.66%</b>
Balance of register	260,153,295	43.34%
<b>Grand total</b>	<b>600,205,289</b>	<b>100%</b>

**8. Restricted Securities**

There are no restricted securities at the date of this report.

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

As at the date of this Report, Tlou Energy Limited had an interest in or is awaiting renewal of 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 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.