THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD IMMEDIATELY SEEK ADVICE FROM YOUR LEGAL ADVISER, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER

Tlou Energy Limited Incorporated in accordance with the laws of Australia on the 16 March 2010
Company Number ACN 136 739 967, ISIN AU000000TOU2,
and registered as an external company on the 7th November 2017
("Tlou Energy" or "the Company")

PRE-LISTING STATEMENT

relating to a listing by way of Introduction of the entire issued share capital in Tlou Energy of 327,196,693 on the Main Board of the Botswana Stock Exchange ("BSE"), being 306,042,848 existing shares, and a Placing of 21,153,845 shares

This Pre-listing Statement is neither an invitation to the public to subscribe for, nor an offer to purchase ordinary shares in Tlou Energy, but is issued in terms of the Listings Requirements of the BSE for the purpose of providing information to the public in regard to the listing of the ordinary shares of Tlou Energy on the BSE and to provide information to select investors with regards to the Placing.

This document contains forward-looking statements. All forward-looking statements involve risks and uncertainties and are based on current expectations regarding important factors. Statements contained herein are subject to known or unknown risks, uncertainties and contingencies, many of which are beyond the control of the Company, which may cause the actual results, financial condition, performance or achievements of the Group to differ materially from anticipated results, financial condition, performance or achievements expressed or implied by such forward-looking statements. Factors that might cause forward-looking statements to differ materially from actual results include, among other things, requirements imposed by regulatory authorities, unpredictable events or circumstances, competitive factors in the industries in which the Group competes, as well as the impact of legislation and other regulations in the jurisdictions in which the Group operates. These forward-looking statements speak only as at the date of this document. Investors are urged to seek independent financial advice on these matters. Investment is not advised for any person or entity dependent upon a guaranteed fixed return.

The issued share capital of the applicant currently comprises of 306,042,848 shares of no par value with 446 existing shareholders. The applicant proposes to allot 21,153,845 shares of P1.56 per share which shall rank pari passu with all the other shares issued by Tlou Energy to private placees. After the Placing the issued share capital of the Company shall comprise of 327,196,693 shares.

The Placing constitutes an offer to select investors as contemplated in term of section 297 of the Companies Act Cap 42;01 of Botswana. As required by that section, the Placing is made in accordance with the requirements of the BSE. It is not necessary for this Pre-listing Statement to be filed or registered with the Registrar of Companies nor is it intended that it will be so filed or registered.

Application has been made to the Listings Committee of the BSE, which has agreed to grant approval for a listing of shares in Tlou Energy on the Main Board of the BSE, subject to compliance with the BSE's Listing Requirements. It is expected that such listing will become effective and that dealings in shares in Tlou Energy will commence from the 13th December 2017. The listing will be on the Main Board of the BSE, under the abbreviated name "TLOU" and trading code "TLOU".

Prospective investors in the equity of Tlou Energy, as with any other listed company should ensure that they fully understand the nature of the Company's operations, its valuation and the extent of their exposure to risks, and that they consider the suitability of the Company's shares as an investment in light of their own circumstances and financial position. The Botswana Stock Exchange's approval of the listing of Tlou Energy should not be taken as an indication of the merits of the Company. The Botswana Stock Exchange has not verified the accuracy and truth of the contents of the documentation submitted to it and, the Botswana Stock Exchange accepts no liability of whatever nature for any loss, liability, damage or expense resulting directly or indirectly from the investment in the equity of Tlou Energy.

WARNING - TLOU ENERGY WILL BE LISTED ON THE MAIN BOARD OF THE BSE AND THE SHARES SHOULD BE CONSIDERED SPECULATIVE.

Date of issue : 8 December 2017

LISTING DETAILS

Particulars of the securities being listed

Class of security	Ordinary shares
Total number of securities to be listed[1]	327,196,693
Market Capitalisation on Listing[1]	BWP 510,426,841

[1] Includes the Placing Shares

All issued Tlou Energy shares are of the same class and rank pari passu in every respect.

Important dates:	**2017**
Tlou listed on the BSE	Wed 13 December
Press announcement publication	Wed 13 December
Shares allocated to CSDB Accounts	Wed 13 December
Trading of Tlou Shares on the BSE	Wed 13 December

Details of listing

The BSE has granted Tlou Energy a listing of 327,196,693 ordinary shares on the Main Board of the BSE as follows:

Abbreviated name:	”TLOU”
Share code:	“TLOU”
ISIN:	“AU000000TOU2”

Advisors Consents

The Legal Advisor, Sponsoring Broker, Corporate Advisor, Transfer Secretary, Competent Person and Reporting Accountants, whose names are included in this Pre-listing Statement, have given and had not, at the date of this Pre-listing Statement, withdrawn their written consents to the inclusion of their names in the capacities as stated.

Legal Advisor	**Transfer Secretary**
ARMSTRONGS Attorneys, Notaries & Conveyancers	Corpserve Botswana
Corporate Advisor	**Sponsoring Broker**
integra ADVISORY	motswedisecurities (pty) Ltd A Member Of The Botswana Stock Exchange
Competent Person	**Reporting Accountants**

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ANNEXURE A - INDEPENDENT REPORTING ACCOUNTANTS REPORT ON TLOU ENERGY'S FINANCIAL INFORMATION

ANNEXURE B – FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2017

ANNEXURE C – COMPETENT PERSON'S REPORT

ANNEXURE D – LIST OF PLACEES AND DETAILS OF SALIENT TERMS OF THE PLACING AGREEMENT

ANNEXURE E – SUMMARY OF THE CONSTITUTION

ANNEXURE F – DETAILS OF THE PRE-LISTING STATEMENT AVAILABILITY

CORPORATE INFORMATION, DIRECTORS AND ADVISORS

Registered Office

Tlou Energy Limited
210 Alice Street
Brisbane QLD 4000
Australia

Botswana Office

Tlou Energy Limited
Ground Floor, Victoria House
132 Independence Avenue
Gaborone, Botswana

Board of Directors

Martin McIver, (Chairman)
Anthony Gilby,
Gabaake Gabaake,
Linah Mohohlo
Colm Cloonan
Hugh Swire

Company Secretary

Rhoss Pty Ltd
Unit G3, Victoria House
Plot 132 Independence Avenue
Gaborone

Transfer Secretary

Corpserve Botswana
Unit 206, Second Floor,
Plot 64516
Showgrounds Close, Fairgrounds
Gaborone

Reporting Accountants

BDO Audit Pty Ltd
Level 10
12 Creek Street
Brisbane
Queensland 4000
Australia

Legal Advisor to the Issuer

Armstrongs Attorneys
2nd Floor, Acacia House
Plot 74538, Cnr of Khama Crescent Ext
& PG Matante Road, New CBD
Gaborone

Competent Person

SRK Consulting (Australasia) Pty Ltd
10 Richardson Street
West Perth
Western Australia 6005
Australia

Sponsoring Broker

Motswedi Securities
Member of the Botswana Stock Exchange.
Plot 113, Unit 30,
Kgale Mews,
Gaborone P/Bag 00223,
Gaborone, Botswana

Corporate Advisor

Integra Advisory Partners Pty Ltd
Level 21, Riparian Plaza
71 Eagle Street
Brisbane QLD 4000
Australia

DEFINITION AND INTERPRETATION

The following definitions apply throughout this Pre-listing Statement, unless explicitly stated otherwise or the context explicitly requires otherwise. In this Pre-listing Statement, unless otherwise indicated, the words or phrases in the first hand column bear the meaning stipulated in the second column and cognate expressions shall bear corresponding meanings. Words in the masculine shall import both the feminine and the neuter. Words in the singular shall include the plural and *vice versa*. Words importing natural persons shall include juristic persons (whether corporate or incorporate and *vice versa*), including corporations and associations of persons.

A$	Australian dollars, the lawful currency of Australia;
"Act" or "Companies Act"	The Australian Corporation Act 2001 as amended or replaced from time to time;
"Armstrongs Attorneys or Legal Advisors "	Armstrongs Attorneys, a partnership practicing as attorneys in terms of the Legal Practitioners Act of Botswana who are the Legal Advisors to Tlou Energy for the purpose of the Listing;
"the Board" or "the Directors"	The board of directors of Tlou Energy;
"Botswana"	The Republic of Botswana;
"the BSE"	The Botswana Stock Exchange as established by the Botswana Stock Exchange Act Cap 56;08;
"the Company or Tlou Energy"	Tlou Energy Limited (registration number ACN 136 739 967) a company incorporated with limited liability and registered according to the laws of Australia on 16 March 2010 and registered as an external company in Botswana on the 7th November 2017 in terms of the Act;
"CBM"	Coal Bed Methane;
"Competent Person"	SRK Consulting (Australasia) Pty Ltd;
"Constitution"	The Constitution of the Company as amended from time to time;
"CSDB"	Central Securities Depository Company of Botswana Limited;
"EIA"	Environmental Impact Assessment;
"Financial Year"	The financial year ending 30th June annually;
"Investors"	Means the investors who have agreed to subscribe for Shares by signing the Placement Agreement as set out in Annexure D;
"Listing"	The listing of the Shares of Tlou Energy on the BSE;
"Mining Licence"	Means a mining licence issued to the Company in terms of the Mines and Minerals Act of 1999 under the laws of Botswana;
"MMGE"	Ministry of Mineral Resources, Green Technology and Energy;
"Placement Agreement"	The Placement Agreement between the Company and Placees dated 20 November 2017 in terms of which the investors apply for shares in the Placing. An extract of the Placement Agreement is set out in Annexure D
"Placees"	Means those investors who participate in the Private Placement;

“Placing”	A Private Placement which is sold not through a public offering, but rather through a private offering, mostly to a number of chosen investors in terms of section 5.11 of the BSE listing requirements.
“Private Placement”	The Private Placement by Tlou Energy of 21,153,845 shares in terms of the Placement Agreement;
“this Pre-listing Statement”	This Pre-listing statement issued its annexures and attachments;
“Project”	The Lesedi project as described in Section 8;
“Prospecting Licence”	Means a prospecting licence issued to the Company in terms of the Mines and Minerals Act Cap 44:06 of the laws of Botswana;
“Pula or P”	The legal tender of the Republic of Botswana in which all monetary amounts in this Pre-listing Statement are expressed, unless othwerwise stated;
“Reporting Accountants”	BDO Audit Pty Ltd;
“Shares” or “Ordinary Shares”	Ordinary Shares of no par value in the stated capital of the Company;
“Sponsoring Broker”	Motswedi Securities, a member of the BSE who are the Sponsoring Broker for the purposes of the Listing;
“SPE-PRMS”	Petroleum Resources Management System, the resources and reserves certification guidelines promulgated by the Society of Petroleum Engineers, the American Association of Petroleum Geologists, the World Petroleum Council and the Society of Petroleum Evaluation Engineers. SPE-PRMS is an internationally recognised standard permitted to be used in the Note for Mining and Oil & Gas Companies pursuant to the AIM Rules for Companies;
“Transfer Secretary”	Transaction Management Services (Pty) Ltd T/A Copserve Botswana (registration number 2000/5376), registered according to the laws of Botswana.

PART A: SALIENT FEATURES OF THE LISTING

The salient features presented below are a summary of this Pre-listing Statement. For full appreciation, this Pre-listing Statement should be read in its entirety.

1. RATIONALE OF THE LISTING

1.1 The Directors of Tlou Energy have decided to apply for a listing of Tlou Energy's shares on the Main Board of the BSE by way of Introduction and Placing. There are a number of reasons for the Listing including the following:

1.1.1 to establish a platform for the future raising of development capital to realize Tlou Energy's growth plans;

1.1.2 to raise the regional profile of Tlou Energy and its brand;

1.1.3 to improve the liquidity of the share;

1.1.4 whilst access to capital is not one of the primary reasons for the listing, the Company would like to be in a position where access to capital is facilitated to accommodate future growth;

1.1.5 it focuses the attention of prospective investors on the merits of investing in Tlou Energy, thereby helping to enlarge the potential investor base for Tlou Energy shares.

2. LISTING ON THE BSE

2.1. The BSE has agreed to the Listing of the entire issued ordinary share capital of Tlou Energy on the Main Board of the BSE under the abbreviated name "TLOU". The Listing will take place with effect from the commencement of trade on the 13th December 2017.

2.2. In conjunction with the Listing, Tlou Energy is seeking to raise P33,000,000 to commence first phase development drilling at its Lesedi CBM Project ("Lesedi Project").

3. OTHER LISTINGS

3.1. Tlou Energy's shares are currently listed on London's Alternate Investment Market (AIM) and the Australian Securities Exchange (ASX).

4. COPIES OF THE PRE-LISTING STATEMENT

4.1. Copies of this Pre-listing Statement are available from:

4.1.1. Tlou Energy, at its registered office as set out in the "Corporate Information" section

4.1.2. Motswedi Securites, at its address as set out in the "Corporate Information" section; and

4.1.3. Armstrongs Attorneys, at its registered office as set out in the "Corporate Information" section.

4.2. An abridged version of this Pre-listing Statement will be published in the press on the 13th December 2017.

PART B: OVERVIEW OF TLOU ENERGY

5. INTRODUCTION

5.1. Tlou Energy is an AIM and ASX listed company whose business involves the appraisal for and proposed production of CBM gas. The Company's focus is on its prospecting licences in Botswana, which are considered highly prospective for CBM, with sizeable independently assessed CBM Reserves and Resources.

5.2. Tlou Energy plans to augment the energy requirements of the southern African region, which is experiencing energy deficits during a period where both its population and economies are growing rapidly. Tlou Energy intends to supply CBM gas to enable gas-powered generators to supply electricity and to replace existing diesel and coal fired power generation. The long-term objective of the Company is to build a mid-tier energy provider in southern Africa.

5.3. Tlou Energy's most advanced project, the Lesedi CBM Project ("**Lesedi Project**"), is located in the Karoo Kalahari Basin in south-eastern Botswana. Having advanced the Lesedi Project, through the exploration and appraisal phase, Tlou Energy is now focused on development. The Directors have decided to apply for a listing of Tlou Energy's shares on the BSE in order to position itself to facilitate local investment in the project, and ensure that local investors have the opportunity to share in the upside associated with the emerging CBM industry in Botswana and returns on the associated infrastructure.

5.4. An investment in Tlou Energy offers shareholders the opportunity to participate in an anticipated diversified portfolio of exploration assets which will be capable of generating commercially attractive returns and managed by a team with a track record in extracting maximum returns from this asset class. This Pre-listing Statement provides investors and the market with information on Tlou Energy, its projects, Directors and management and financial history.

6. INCORPORATION AND HISTORY OF TLOU ENERGY

6.1. Tlou Energy is a company registered in Australia on the 16 March 2010 with Company Number ACN 136 739 967 as a public company and registered as an external company in Botswana, in terms of the Companies Act on the 7th November 2017.

6.2. Tlou Energy was established in 2009 to develop prospective CBM licences in southern Africa, principally in Botswana.

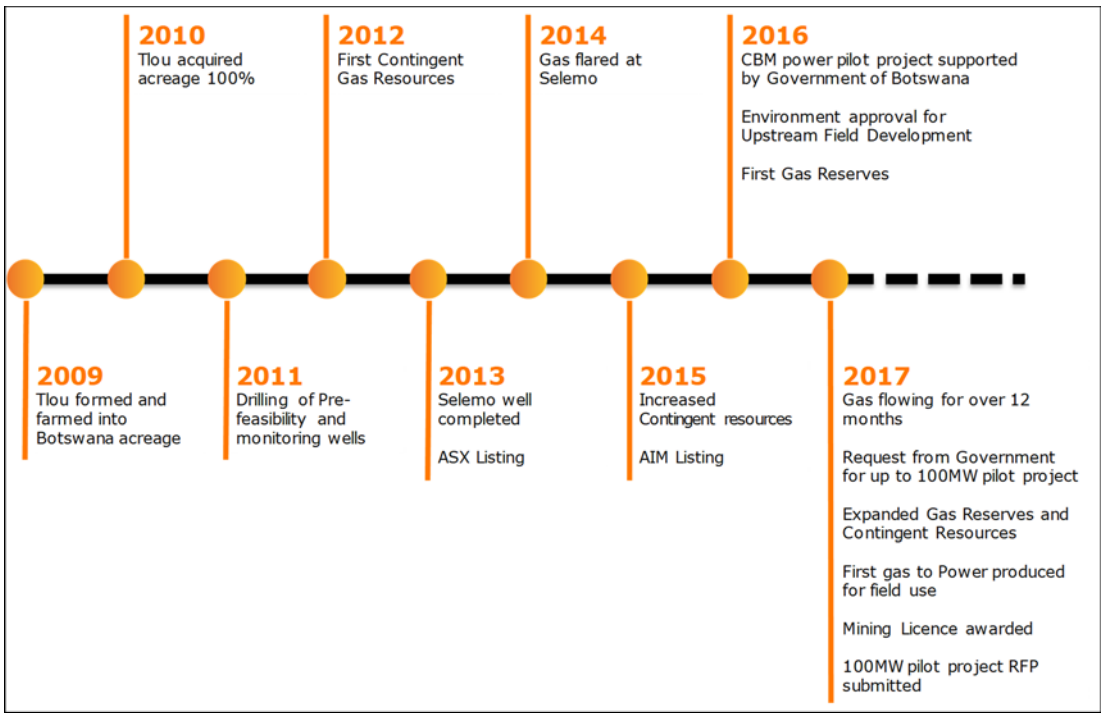
6.3. Historically, the Licences which are the subject of the Lesedi Project were owned by Saber Energy, Inc. ("**Saber**"), and held pursuant to a Farm-In Agreement between Kalahari Energy Ltd and Sekaname (a subsidiary of Saber). In 2009, Tlou Energy entered into a joint venture arrangement with Saber in respect of the Lesedi Licences and certain other licences in Botswana held by Saber. The joint venture terminated in November 2010 when Tlou acquired the companies that held the Licences that were subject to the joint venture with Saber and became the sole operator and 100% owner of the Licences.

6.4. Over the last 7 years, Tlou Energy has made significant progress at the Lesedi Project, which is now viewed as the most advanced CBM Project in Botstwana, given its sizeable independently certified reserves position, environmental approval for gas field development and the recent award of a Mining Licence.

6.5. While its focus continues to be on the Lesedi Project, Tlou Energy was awarded additional licences in 2014 as part of a competitive tendering process administered by the Botswana MMEWR. The "Mamba Licences" were previously held by Anglo Coal Botswana prior to its relinquishing these assets. Tlou Energy will continue desktop geological studies of the Mamba data in the next twelve months as well as future core hole drilling.

6.6. Key milestones achieved by Tlou Energy since 2009 are set out in Figure 1 below.

Figure 1: Key Milestones



Source: Tlou Energy

7. ASSETS

7.1. Table 1 below outlines the CBM Licences which underpin Tlou's CBM activities at its Lesedi and Mamba Projects.

Table 1: Tlou Energy Licences

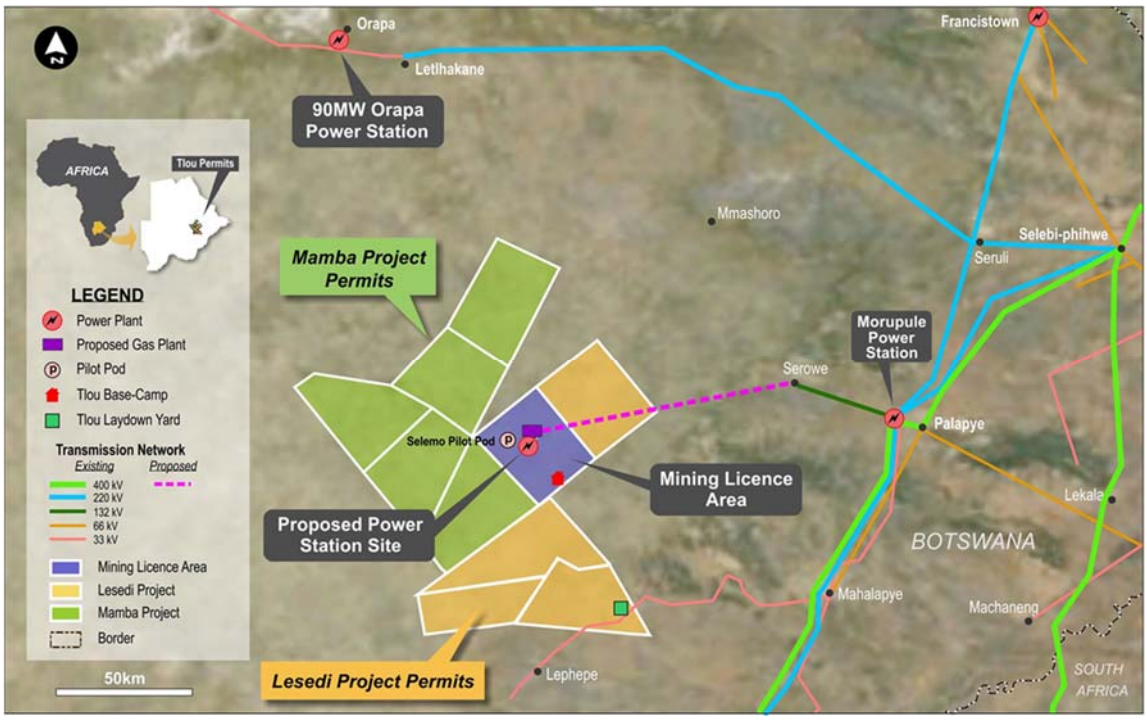
Licence / Permit	Group Interest (%) (1)	Phase	Operator	Expiry Date	Area (gross km²)	Gas type
Lesedi Licences						
ML 2017/18L	100(2)	Pre-Development	Tlou	20 August 2042	899	CBM
PL 001/2004	100(2)	Appraisal	Tlou	31 March 2019	898	CBM
PL 003/2004	100(2)	Exploration	Tlou	31 March 2019	757	CBM
PL 035/2000	100(2)	Exploration	Tlou	30 September	561	CBM
PL 037/2000	100(2)	Exploration	Tlou	30 September	897	CBM
Mamba Licences						
PL 237/2014	100	Exploration	Tlou	30 June 2019	958	CBM
PL 238/2014	100	Exploration	Tlou	30 June 2019	827	CBM
PL 239/2014	100	Exploration	Tlou	30 June 2019	968	CBM
PL 240/2014	100	Exploration	Tlou	30 June 2019	885	CBM
PL 241/2014	100	Exploration	Tlou	30 June 2019	873	CBM

Source: SRK CPR, Tlou
Notes:
(1) The interest shown in each of the licences represents the percentage that Tlou Energy Limited holds in the corporate holder of the licence.
(2) Tlou, through its wholly-owned subsidiary, Sable Energy, owns 100% of the issued shares of Tlou Resources, which holds the Lesedi Licences, but 10% of the holding was held subject to the Farm-In Agreement and the full benefit of that 10% was only released to Sable Energy upon Tlou Resources being granted a mining licence in respect of a Lesedi Licence.

8. OVERVIEW OF THE LESEDI PROJECT

8.1. The Lesedi Project is located in the Karoo Kalahari Basin in south-eastern Botswana, which contains a significant proportion of southern Africa's coal deposits (refer Figure 2). The Lesedi Project is owned 100% by Tlou Energy and has to potential to support a large scale CBM gas to power project for domestic and export markets.

Figure 2: Lesedi CBM Project Location and Supporting Infrastructure



Source: Tlou Energy

8.2. Operations in the Lesedi Project area have been ongoing from 2007, with Tlou Energy's involvement commencing in 2009. Over 50 wells have been drilled since this time by Tlou Energy and previous operators, including 16 core holes yielding good quality technical data suitable to support a detailed understanding of the subsurface coal characteristics and associated reservoir models.

8.3. In addition to core holes, the Company has drilled a series of both vertical and horizontal pilot pods. Leveraging the Australian CBM industry experience of Tlou Energy's founders, the Company pioneered the drilling of "surface to in-seam" horizontal wells in Botswana in 2013 intersecting approximately 3,500 metres of Lower Morupule coal. In 2014, the Company flowed its first gas from the Selemo horizontal pilot pod. Production testing at Selemo has been ongoing with consistent gas production demonstrated now for over 12 months . CBM gas from the Selemo pilot pod has been used to generate power via a 60kVA Cummins generator to operate its pumps and metering at the wellsite, proving the conversion of gas to power for the first time in the country.

8.4. The Company's systematic approach to exploration and appraisal has materially de-risked the Project. In total over US$50 million has been spent by Tlou Energy (and its predecessor) on exploration and drilling activities. Tlou Energy intends to follow a similar systematic approach with respect to project development.

8.5. The long-term development concept for the project involves producing up to 100MW of CBM power, consistent with the recently submitted response to the Botswana Government's Request for Proposal. It is proposed that the project be developed in stages, with the initial stage comprising an incremental 10MW project targeting first power sales from 2019.

8.6. Tlou has environmental approval in place for the gas field development of its Lesedi Project, having received notification in September 2016 from the Botswana Department of Environmental Affairs that its Environmental Impact Statement ("EIS") had been approved. This followed a two year process and extensive public consultation meetings.

8.7. A Mining Licence was subsequently awarded in August 2017. This was the first CBM Mining Licence to be granted in Botswana, and covers a large area of approximately 900 square kilometres.

CBM RESERVES AND RESOURCES

8.8. Between its Lesedi and adjacent Mamba Projects, Tlou has 0.2 BCF 1P, 3.9 BCF 2P and 261.1 BCF 3P Gas Reserves as set out in Table 2. These Reserves were independently certified by leading industry consultant SRK Consulting (Australasia) Pty Ltd ("SRK") in 2016 and subsequently upgraded in early 2017. Tlou's independently certified reserves are believed to represent the only gas Reserves currently identified in Botswana. Following the current 2017 appraisal program, Tlou expects a material upgrade to its current gas Reserves position.

8.9. In addition to its gas Reserves, Tlou has independently certified Contingent Resources of 4.3 BCF (1C), 235 BCF (2C) and 3,183 BCF (3C) and Prospective Resources of 8,596 BCF from all coal seams in the Lesedi Project area (no Contingent Gas Resource certification has been undertaken in the Mamba Project area, providing further gas Resource upside when completed).

Table 2: Tlou's Net Independently Certified Gas Reserves and Resources

Independent Gas Reserves Certification									
Location	**Project**	**Tlou interest**	**Gas Reserves**(1)			**Gas Contingent Resources**(2)			**Gas Prospective Resource (BCF)** (3)
			1P (BCF)	**2P (BCF)**	**3P (BCF)**	**1C (BCF)**	**2C (BCF)**	**3C (BCF)**	
Karoo Basin Botswana	Lesedi CBM (Lower Morupule coal) (ML2017/18L)	100%	0.15	3.5	117	4.3	67.4	470	-
Karoo Basin Botswana	Lesedi CBM (all coal seams) (PL001/2004, ML2017/18L)(4)	100%	0.15	3.5	117	4.3	235	3,183	-
Karoo Basin Botswana	Mamba CBM (Lower Morupule coal) (PL238/2014, PL240/2014) (5)	100%	0.02	0.4	144	n/a	n/a	n/a	-
Karoo Basin Botswana	PL003/2004, PL035/2000, PL037/2000	100%	-	-	-	-	-	-	8,596(6)

Source: Tlou, SRK Consulting. Refer to Competent Persons Statement below. Notes to Table 2

1. *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 ASX Listing Rule 5.26.5).*
2. *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.*
3. *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.*
4. *The Gas Reserves and Contingent Gas Resources for all coal seams in PL001/2004 and ML2017/18L shown in the second row of the table above includes the numbers for the Lower Morupule coal seam which are shown in the first row of the table above*
5. *The most recent Reserves assessment by SRK did not include a review and assessment of Contingent Resources in the Mamba Project area. This is planned to be undertaken during the course of 2017/18.*
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 ASX prospectus dated 20 February 2013).*

COMPETENT PERSON'S STATEMENT

The gas reserves and resource estimate for the Lesedi CBM Project provided above was released to the market on 12 October 2016 (Announcement) and 15 February 2017 (Reserves Upgrade Announcement). Tlou confirms that it is not aware of any new information or data that materially affects the information included in the Announcement and/or the Reserves Upgrade Announcement and that all material assumptions and technical parameters underpinning the estimates in the Announcement and the Reserves Upgrade Announcement continue to apply and have not materially changed. The gas reserve and resource estimates are based on and fairly represents, information and supporting documentation and were determined by Dr. Bruce Alan McConachie of SRK Consulting (Australasia) Pty Ltd, in accordance with Petroleum Resource Management System guidelines. Dr. McConachie is considered to be a qualified person as defined under the ASX Listing Rule 5.42 and has given his consent to the use of the resource figures in the form and context in which they appear in this document.

RFP FROM BOTSWANA GOVERNMENT

8.10. In December 2016, Tlou received a request for proposal from the Botswana Government to provide up to 100MW of power from CBM. This follows the Government's announcement in June 2016 that the delivery of 100MW of CBM power be incorporated into its future generation supply plans. Tlou was one of two parties asked to submit a tender response.

8.11. Tlou Energy submitted its detailed response to the RFP in September 2017. The submission was accepted by the Ministry and will be assessed based on eligibility, technical and funding criteria. An indicative date for the receipt of a response is not yet known.

EIS APPROVAL

8.12. The EIS approval (EISA) highlights the progress being made by Tlou as it moves towards full field development of the Lesedi Project. Key aspects of the project covered by the approval include:

8.12.1. installation of up to 200 production pods, with the ability to drill additional replacement pods during the life of the development to account for production decline;

8.12.2. gathering and beneficiation of gas and water;

8.12.3. installation of a base camp and associated facilities for staff operating the gas field; and

8.12.4. installation of permanent or semi-permanent access roads.

8.13. The EIS involved extensive public consultation meetings in all villages adjacent to the project area starting from Otse Village to the south and Moiyabana Village in the north. Focused group meetings were also held with key government and non-government stakeholders, including the various district planning and management structures such as the District Development Committee, Shoshoshong Sub Land Board, Ngwato Land Board, Central Government departments and farmers.

MINING LICENCE

8.14. In August 2017, Tlou Energy was notified that its application for a Mining Licence for the Lesedi Project had been granted.

8.15. The Mining Licence ML2017/18L was granted in full across the application area, previously known as Prospecting Licence PL002/2004, which covers an area of approximately 900 square kilometres. The licence grants the holder the right to produce CBM in the Mining Licence area for a term of 25 years. Project development can commence at any time with no minimum spend stipulated.

BENEFIT TO BOTSWANA

8.16. The development of the Lesedi Project is expected to result in significant benefit to Botswana including:

8.16.1. lower power price versus diesel generation or imported power;

8.16.2. less reliance on the above forms of generation and increase in energy security;

8.16.3. facilitating the creation of a new renewable industry in Botswana (eg enhance viability of solar);

8.16.4. local job creation;

8.16.5. opportunities for local suppliers;

8.16.6. opportunities for downstream manufacturing industries to develop;

8.16.7. royalties and taxes;

8.16.8. new transmission infrastructure within the Project region; and

8.16.9. the opportunity for Botswana to become a net exporter of power in the Southern Africa region.

9. ENERGY MARKETS

9.1. The Lesedi Project is ideally placed to leverage the need for a local and clean energy source for power generation.

9.2. The Directors believe that the energy markets in Botswana and Southern Africa are underdeveloped and will continue to suffer from a deficit of supply in the medium term. In response to power shortages in its domestic market of South Africa, the largest supplier of electricity in the region, Eskom, is progressively terminating power export agreements to other countries in southern Africa whilst continuing to rely on coal resources for its aging power stations. In addition, other southern African governments are demonstrating increasing levels of support for independent power producers. Botswana is currently placing heavy reliance on expensive diesel generation due to unfulfilled import commitments from Eskom and the underperformance of the Botswana Government owned Morupule B coal fired power station (comprising 4 x 132 MW units of net capacity).

9.3. The Minister of MMEWR in Botswana outlined at the country's 2016 resources sector conference a number of key priorities to address the underperformance of the Morupule B coal fired power station, including:

9.3.1. short-term remediation to attempt to bring all four units into operation; and

9.3.2. major remediation work over the next two years to improve reliability of the power station over its expected life cycle.

9.4. Irrespective of whether the Morupule B remediation will be successful, there is considered to be considerable demand for CBM to play a major role in future power generation in Botswana in pursuit of energy security and optimising the energy mix.

9.5. Table 3 below illustrates forecast Botswana demand and supply capacity balance (in MW) for the period to 2025 (assuming Morupule B operates at full capacity which is unlikely in the short-term given the remediation work required), with demand being projected with and without a system reserve margin of 15 per cent., considered prudent from a system planning and operations perspective to cater for generating plant outages (planned and unplanned).

Table 3: Southern African Development Community – Supply and Demand

Southern African Development Community - Supply and Demand						
Demand and Supply Balance with Current Peak Demand - 2015						
Country	**Utility**	**Installed Capacity (MW)**	**Operating Capacity (MW)**	**Current Peak Demand (MW)**	**Peak Demand Plus Reserves**	**Capacity excess/ shortfall including Reserves**
Angola	ENE	2,210	1,772	1,599	1,829	(57)
Botswana	**BPC**	**892**	**410**	**610**	**698**	**(288)**
DRC	SNEL	2,442	1,066	1,317	1,507	(441)
Lesotho	LEC	74	70	150	172	(102)
Malawi	ESCOM	352	351	326	373	(22)
Mozambique	EDM / HCB /	2,724	2,279	1,780	2,036	243
Namibia	Nampower	501	354	629	720	(366)
South Africa	Eskom	46,963	36,000	36,711	41,994	(5,994)
Swaziland	SEC	70	55	227	260	(205)
Tanzania	TANESCO	1,380	823	935	1,070	(247)
Zambia	ZESCO / CEC / LHPC	2,206	2,175	2,287	2,616	(441)
Zimbabwe	ZESA	2,045	1,555	1,589	1,818	(263)
TOTAL ALL		**61,859**	**46,910**	**48,160**	**55,093**	**(8,183)**
TOTAL Operating Members Only		57,917	43,964	45,300	51,821	(7,857)

Source: BPC Presentation at the Botswana Resource Sector Conference 2016

10. CURRENT WORK PROGRAM

10.1. Tlou Energy's current work program has been designed to:

10.1.1. expand certified 2P and 3P Gas Reserves;

10.1.2. select the optimal location to commence production drilling; and

10.1.3. provide final inputs for a bankable feasibility study for Stage 1 of the Project (up to 10MW) in order to secure project funding.

10.2. Tlou Energy has recently appointed Velseis Pty Ltd ("Velseis"), an experienced seismic survey contractor, to undertake a seismic survey for both the Lesedi and Mamba permits. The seismic survey is expected to provide enhanced knowledge of sub-surface structures and resources in the project area, and is designed to expand gas Reserves or Resources. Results of the seismic will be available later this calendar year.

10.3. Following the seismic program, Tlou Energy intends to drill a number of vertical (cored) wells along the new seismic lines to a depth of approximately 500 metres. Geophysical logging and coal core gas sampling will also be undertaken. It is anticipated the core hole program will commence in the quarter ending 31 December 2017.

10.4. Tlou plans to drill two pre-development production pods in early 2018. The location of these pods will be based on the preceding seismic and core hole results. These pods are planned to confirm the optimal location to commence Stage 1a production drilling with one of these pods in the successful location being used as a de-watering well for the new production pods.

11. SOURCE AND USE OF FUNDS

11.1. The gross proceeds of the Placing of P33.0 million and existing cash of P42.5 million at 30 September 2017 will be used for, inter alia:

11.1.1. Lesedi and Mamba seismic survey and core holes - P13.9 million;

11.1.2. Lesedi first phase development drilling - P15.9 million;

11.1.3. Technical studies (including reserves certification) and field operating costs - P17.2 million;

11.1.4. General and administrative costs - P22.7 million; and

11.1.5. Transaction costs and working capital – P5.8 million.

11.2. The Company has capitalized exploration and evaluation assets as at 30 June 2017 of A$49.4 million (P405.4 million). The exploration funding requirements of the Company for the two years following the date of this pre-listing statement is approximately P41 million which will be satisfied by the Lesedi and Mamba work programs outlined in Section 11.1.1 and 11.1.2 above and additional work programs to be financed and completed subject to the results of items under 11.1.1, 11.1.2 and 11.1.3. Therefore the Company's existing cash at 30 September 2017 and the proceeds of the Placing are adequate for exploration purposes.

12. INVESTMENT RISKS

12.1. An investment in the Ordinary Shares may not be suitable for all investors and involves a high degree of risk. Before making an investment decision, prospective investors are advised to consult a professional adviser who specialises in advising on investments of the kind described in this document if they are resident in Botswana, or, if they are not resident in Botswana, from an appropriately authorised independent adviser. Prospective investors should consider carefully whether an investment in the Company is suitable for them in the light of their personal circumstances and the financial resources available to them.

12.2. In addition to the other relevant information set out in this document, the Directors consider that the following risk factors, which are not set out in any particular order of priority, magnitude or probability, are of particular relevance to Tlou's activities and to any investment in the Company.

12.3. The exploration for and development of natural resources is a highly speculative activity which involves a high degree of risk. In addition, the exploration and development of unconventional gas, which is less well developed and understood than conventional gas, presents additional risks and challenges.

12.4. It should be noted that the factors listed in this section are not intended to be exhaustive and do not necessarily comprise all of the risks to which Tlou is, or may be, exposed or all those associated with an investment in the Company. It should be noted that additional risks and uncertainties not presently known to the Directors, or which they currently consider to be immaterial, may also have an adverse effect on Tlou's operating results, financial condition and prospects.

12.5. If any of the risks referred to in this section were to crystallise, Tlou's business, financial condition, results or future operations could be materially adversely affected. In such case, the price of the Ordinary Shares could decline and investors may lose all or part of their investment.

12.6. **Risks Relating to Tlou's Business and Industry**

General risks relating to Tlou and to the hydrocarbon exploration industry

The exploration for, and development of, hydrocarbons is a highly speculative activity which involves a high degree of risk. Tlou may be unable to discover reserves of sufficient size or complete wells with flow rates sufficient enough to be commercially viable. Accordingly, the Ordinary Shares should be regarded as a highly speculative investment and an investment in the Company should only be made by those investors with the necessary expertise to evaluate the investment fully and who can sustain the total loss of their investment.

As Tlou is currently in the exploration and appraisal stage, Tlou has not generated revenues from the commercial production or sale of natural gas. Accordingly, it is not possible to establish a track record based on the exploration projects of Tlou. The production of gas from pilot wells is inconsistent and pilot production rates experienced do not guarantee that commercial production will be achieved in the desired time frames or at all. Tlou's ability to move any or all of its projects into commercial production is subject to a number of factors, some of which will be outside its control.

Additionally, even if one or more of Tlou's projects achieves profitability, Tlou will need to continue to invest in both these and other projects and there can be no certainty as to when, if ever, Tlou will be profitable as a whole or whether such profitability will be sustainable on an individual project or on a Group wide basis.

Tenure Risk

In Botswana, the government owns all the mineral and land rights and grants exploration and development licences pursuant to Botswana's Mines and Minerals Act. Along with the right for exploration and development, the licensee receives the right for surface access to the land. There are numerous temporary surface rights holders for each licence area. The holder of a licence, where its access causes disruption to another surface right holder, is obliged to negotiate with the other surface holder for access and appropriate compensation in respect of disruption. Tlou's licences are located in the Karoo-Kalahari Basin. Tlou must negotiate with the relevant government authorities to arrange access to these areas when undertaking drilling and exploration activities.

Exploration licences are granted for an initial period of up to three years, and may be renewed up to two times for a period of two years per renewal. Additional "special" renewals are required thereafter. The Lesedi Licences have had multiple renewals and would require "special" renewals on the expiry if a mining licence has not been granted beforehand. The Company is unable to guarantee that the licences will be renewed.

Each licence specifies the minimum stipulated annual work and spending commitments on the part of the licence holder. In the event that such minimum commitments are not met, the Botswana Government does not have the right to suspend or cancel the prospecting licence but it may be a factor in their decision as to whether to renew the licence at the end of the current term. The holder may apply for a renewal of the current licence not less than three months before its expiry. The Botswana Government may reject an application for renewal due to default or due to an inadequate programme of prospecting operations. The Botswana government will give notice of the issue to the licence holder and will give the licence holder a reasonable timeframe within which to remedy the default or to make satisfactory amendments to the proposed programme of prospecting operations. Tlou has not always spent the stipulated minimum amount, but this has not prevented the MMGE from renewing any of Tlou's licences to date. Nevertheless, the Lesedi Licences are considered by the Directors to be key to the exploration activities of Tlou in Botswana, and if Tlou was unable to successfully renew the licences, if required, this could have a material effect on Tlou's business, financial condition and prospects.

The conduct of Tlou's operations and the steps involved in satisfying the applications for renewal involve compliance with numerous procedures and formalities. It is not always possible to comply with, or obtain waivers from, all such requirements and it is not always clear whether requirements have been properly completed, or whether it is possible or practical to obtain evidence of compliance. In some cases, failure to follow such requirements or obtain relevant evidence may call into question the validity of the actions taken. The final grant of all renewals involves the exercise of administrative functions (including discretion), which are beyond the control of Tlou.

In the event that Tlou believes there is enough gas to move into a production phase for any of its exploration tenements in Botswana, the exploration licences will need to be converted to mining licences. There is a possibility that the mining licences will not be granted.

Any failure to obtain a renewal of an exploration permit or the granting of a mining licence in any jurisdiction in which Tlou operates may have a material adverse effect on the ability of Tlou to explore and produce CBM in the areas comprised in those licences. There is also a risk that some or all of the granted prospecting licences are revoked in the future.

Exploration and Development

The future value of Tlou will depend on its ability to find and develop CBM resources that are economically recoverable within Tlou's granted exploration licences and other licences should they be granted. CBM exploration and development is inherently highly speculative and involves a significant degree of risk. There can be no assurance that Tlou's planned exploration, Appraisal and development activities will be successful. Even if CBM resources are identified, there is no guarantee that it will be economic to extract these resources or that there will be commercial opportunities available to monetise these resources. Further, some of the licences are largely unexplored and have only a very limited history and there is no certainty that the proposed exploration will encounter any CBM that may ultimately be commercially viable.

The proposed work programme could experience cost overruns that reduce Tlou's ability to complete that programme in the time expected.

CBM exploration may involve drilling operations and exploration activities which do not generate a positive return on investment. This may arise from unproductive wells, but also from wells that are productive but do not produce sufficient revenues to return a profit after accounting for drilling, operating and other associated costs. The production from successful wells may also be impacted by various operating conditions, including insufficient storage or transportation capacity, or other geological and mechanical conditions. In addition, managing drilling hazards or environmental damage and pollution caused by exploration and development operations could greatly increase the associated cost and profitability of individual wells.

Costs of Abandonment

In common with other exploration and production companies, Tlou may incur decommissioning and site rehabilitation costs when exploration, development or on-going production activities cease or cause environmental disturbance.

The abandonment of any of Tlou's sites may result in substantial restoration costs. These costs may arise as a result of applicable law or regulation, the terms of Tlou's licences, Tlou's internal health and safety policies or industry best practice. Abandonment and the costs associated with it may result in a substantial impairment of goodwill and exploration assets. The accounting treatment of impairment losses and write-downs may also impact the price of the Ordinary Shares and could have an impact on Tlou's ability to pay dividends through reducing the amount of its distributable reserves. Should Tlou face substantial costs in respect of exiting licences and making-good previously drilled wells, its financial position could be materially and adversely affected.

Resources

Unless stated otherwise, the resources data included in this document have been derived or extracted from the SRK CPR, which has been prepared in accordance with the SPE-PRMS guidelines.

The resources estimates contained in this document are derived from the interpretation of seismic and other geo-scientific data and, where appropriate, core holes and pilot well test results. Such interpretation and estimates of the amounts of resources are subjective and the results of drilling, testing and production subsequent to the date of any particular estimate may result in substantial revisions to the original interpretation and estimates. The resources information set out in this document represent estimates only and no assurance can be given that an identified resource will ever qualify as commercially viable which can be legally and economically exploited. This may have a material adverse impact on the financial position and prospects of Tlou.

Commercialisation, Transportation Delays, Infrastructure

Tlou's potential future earnings, profitability, and growth are likely to be dependent upon Tlou being able to successfully implement some or all of its commercialisation plans detailed in Part 1 of this document.

The ability for Tlou to do so is further dependent upon a number of factors, including matters which may be beyond the control of Tlou, for example may not be successful in securing identified customers or market opportunities.

Part of Tlou's development plan and growth opportunities include the supply of CBM to the Botswana market and other external markets. There is no guarantee that suitable infrastructure will be available, or available on acceptable and economic terms, to deliver CBM to those markets.

The transportation and service infrastructure in Botswana are under-developed and can be unreliable in some of the areas where the Company is operating. Material delays in the transportation of equipment, supplies and resources may delay the exploration and development of the Company's projects and/or the commercialisation of those projects. Any such delay is likely to increase the cost of exploring and developing the projects, and such increase may materially affect the Company's business, results of operations and financial condition.

Tlou's ability to sell and market any CBM produced will be negatively impacted should it be unable to secure adequate transportation and processing. Access will depend on the proximity and capacity of pipelines and processing facilities. Further Tlou may be required to develop its own pipeline infrastructure or secure access to third party pipeline infrastructure in order to deliver CBM to key markets or customers. The development of its own pipeline infrastructure will be

subject to Tlou obtaining relevant approvals including pipeline licences. Access to third party infrastructure cannot be guaranteed given that the pipelines may not be developed with an open access regime.

Technology

There is a limited history of developing unconventional gas outside of North America and Australia. The techniques used in drilling may need to be modified over time. Modification of such techniques may require skills that Tlou does not presently have and which it may not be able to obtain at an acceptable cost or at all. In addition, the techniques used in one geographical area may not be applicable to licence areas in other geographies.

Further Funding Requirements

The development of Tlou's existing operations will require the commitment of substantial resources for operating expenses and capital expenditure, which may increase in subsequent years as Tlou adds, as needed, consultants, personnel and equipment associated with advancing the exploration, development and commercial production of its projects. Specifically, the Group will need to secure additional capital following the grant of a mining licence in order to fund the required gas field development under offtake agreements.

The amount and timing of expenditure will depend on the progress of on-going exploration and development, the results of consultants' analyses and recommendations, the execution of any joint venture and/or farm-in/farm-out agreements with strategic partners, the acquisition of additional projects and other factors, many of which are beyond Tlou's control.

Additionally, there is a long lead time between the discovery and the production of hydrocarbons. During this time, Tlou will continue to incur significant costs but may not have any significant revenue.

Tlou will therefore require additional funding in the future to fulfil its stated objectives, and there can be no assurance that such funding will be available to Tlou on favourable terms, or at all. The Company's ability to raise further equity or debt, or to divest part of its interest in a project, and the terms of such transactions will vary according to a number of factors, including the progress of production and supply agreements, success of exploration results and the future development of projects, stock market conditions and commodity prices. An inability on the part of the Company to raise further equity or debt or the terms and conditions required for the Company to raise further equity and debt could have a material adverse impact on the financial position and prospects of the Company.

Operational Risk

CBM exploration and development activities involve numerous operational risks, including encountering unusual or unexpected geological formations, mechanical breakdowns or failures, accidents, human errors, weather conditions, shortages or delays to delivery of equipment, compliance with government requirements and other unexpected events which occur in the process of drilling and operating wells. In particular, Tlou operates in areas where surface flooding can occur in the summer months, and wildfire can occur in the late winter, the latter being the biggest risk Tlou's operations.

The occurrence of any of these risks could result in substantial financial losses to Tlou due to injury or loss of life, hampering construction and operation activities, damage to or destruction of property, natural resources or equipment, environmental damage or pollution, clean-up responsibilities and regulatory investigation, amongst other factors. Damages occurring to third parties as a result of such risks may give rise to claims against Tlou which may not be covered fully by insurance or at all.

The Directors will (in conjunction with Senior Management) endeavour to anticipate, identify and manage the risks inherent in the activities of Tlou, with the aim of eliminating, avoiding and mitigating the impact of risks on the performance of Tlou and its business operations. The ability of the Directors to do so may be affected by matters outside their control and no assurance can be given that the Directors will be successful in these endeavours.

Availability of drilling equipment and personnel

Tlou's CBM exploration and development activities are dependent on the availability of drilling rigs and related equipment and appropriately qualified and experienced personnel in the area of its exploration licences. There are a very limited number of equipment suppliers in Botswana and if Tlou is unable to secure such equipment or personnel locally or to import it, or is unable to

secure it on acceptable terms, this may have a material adverse effect on the financial position and prospects of the Company.

Reliance on Key Personnel

Tlou's success, in part, depends upon the continued performance, efforts, abilities and expertise of its key management personnel, as well as other management and technical personnel including those employed on a contractual basis. The loss of the services of certain personnel could adversely affect the time frames and costs structure as currently envisaged for Tlou's exploration projects.

Whilst Tlou has taken steps to secure a number of senior management under fixed term agreements, the competition for qualified personnel in the CBM industry is notable and there can be no assurance that Tlou will be able to retain or hire all personnel necessary for the development and operation of its business. The impact of a loss of key staff would be dependent upon the quality and timing of the employee's replacement.

Although Tlou's key personnel have a considerable amount of experience and have previously been successful in their pursuits of acquiring, exploring and developing CBM projects, there is no guarantee or assurance that they will be successful in their objectives pursuant to this document.

Competition

Tlou competes with numerous other energy companies in the search for petroleum reserves and resources. Competitors include companies that have greater financial and other resources than Tlou. Tlou is protected from competition on land in which it holds exclusive exploration rights; however Tlou may face competition for equipment and skilled labour.

The pursuit of Tlou's business development strategy to pursue entry into other southern African markets may result in the Company competing directly with other energy companies which may have greater financial and other resources than Tlou. These competitors may use pricing or other strategies to prevent Tlou achieving its business development objectives. This may have a material adverse impact on the financial position and prospects of the Company.

The oil and gas industry as a whole faces competition from alternative fuel sources, including other fossil fuels and renewable energy sources. Market and competitive conditions may be affected by future legislation and regulations, as certain economies in which Tlou operates, or may operate in in the future, develop new energy and climate-related policies. In addition, some of Tlou's larger competitors may have a competitive advantage when responding to factors that affect demand for hydrocarbon exploration and production, such as changing prices, geopolitical conditions, weather conditions, the price and availability of alternative fuels, the proximity and capacity of pipelines and other transportation facilities, as well as overall economic conditions.

Occupants and owners of land

Some or all of the licences held by the Company are occupied by people with village rights or owned by third parties, primarily in Botswana. Should the Company be unable to obtain access to its licences on terms acceptable to the occupier or owner of the land upon which the licences are located, then there is a risk that this may cause delays to, or prevent, any operations on the licences.

Volatility of the market price for gas

Tlou's possible future revenues are expected to be derived mainly from the sale of CBM. Consequently, Tlou's potential future earnings, profitability, and growth are likely to be closely related to the market price of gas.

Historically, gas market prices have fluctuated in response to changes in the supply of and demand for gas, economic uncertainty, and a variety of additional factors beyond the control of Tlou. Such influencing factors include economic conditions, government regulation and sanctions, the actions of the Organization of the Petroleum Exporting Countries, political stability in the Middle East and elsewhere and the availability of alternative fuel sources.

Any substantial and extended decline in the market price of gas could have an adverse effect on Tlou's future revenues, profitability, cash flow from operations, carrying value of future reserves, and borrowing capacity amongst other factors. If the market price of gas to be sold by Tlou were to fall below the costs of production and remain at such a level for any sustained period, Tlou would experience losses and could have to curtail or suspend some or all of its proposed activities.

In such circumstances, Tlou would also have to assess the economic impact of any sustained lower commodity prices on the recoverability of existing reserves.

Royalties and Taxes

In the event that Tlou believes it has sufficient CBM resources to move into a production phase, the CBM exploration licences will need to be converted to mining licences, under which a royalty is payable to the Botswana Government. This royalty is currently 3 per cent of gross market value. Gross market value is defined as the sale value receivable at the mine gate in an arm's length transaction without discounts, commissions or deductions for the mineral or mineral product on disposal. In addition to the royalty payable, Tlou will also be subject to a corporate tax rate of at least 22 per cent. and a 7.5 per cent. dividend withholding tax on any earnings in Botswana.

In the event Tlou moves into CBM production in connection with the Lesedi Licences (which is considered key to Tlou's operations), pursuant to the Farm-In Agreement, Sekaname, Sable Energy's farm-in partner is also be entitled to a payment of the greater of South African Rand 2.0/Mcf produced at the wellhead, or 12.5 per cent. of the wellhead selling price, and Kalahari, Sable Energy's other farm-in partner, may also be entitled to develop and exploit any excess reserves. Wellhead selling price is based on actual proceeds received by Tlou less actual costs incurred to transport the gas and to gather, compress, treat and process the gas (or where such facilities are owned by Tlou, fees ordinarily payable for these services). If Tlou's farm-in partners become entitled to such payments, it could adversely affect Tlou's financial position, performance and prospects.

Any change to the royalties or tax rates in Botswana or any of the countries in which Tlou is successful in producing gas may have a material adverse effect on the ability of Tlou to commercially produce and sell CBM from the areas comprised in those applications.

Insurance

CBM exploration, development and production operations are subject to all the risks and hazards typically associated with mining operations, including hazards such as fires, explosions, blowouts, gas releases and spills which could result in property or environmental damage and personal injury. Tlou intends to ensure that insurance is maintained in accordance with industry practice and having regard to the nature of activities being conducted. However, Tlou's insurance may not cover all potential risks associated with Tlou's business. In addition, Tlou's insurance of such risks is sometimes unavailable and may attract large premiums. Accordingly, no assurance can be given that Tlou will be able to obtain such insurance coverage at reasonable rates, or that any coverage it arranges will be adequate and able to cover any such claims. If Tlou incurs uninsured losses or liabilities, Tlou's business and operations may be disrupted and it could have a material adverse impact on the financial position and prospects of Tlou.

Regulatory and Litigation Risk

Many of Tlou's operations are governed by national and local environmental laws and regulations that set standards regulating certain aspects of health and environmental quality, provide for penalties and other liabilities for the violation of such standards and establish, in some circumstances, obligations to remediate current and former facilities and locations where operations are or were conducted. Non-compliance with any of these laws may have a material adverse impact on Tlou and its ability to undertake business in the relevant jurisdictions.

Liability could be imposed on Tlou for damages, clean-up costs or penalties in the event of certain discharges into the environment, environmental damage caused by previous owners of property acquired by Tlou, native title claims, tenure disputes, legal action from special interest groups, and non-compliance with environmental laws or regulations. If this was to occur, it may cause a material adverse impact on the financial position of the Company.

Labour Relations Risk

The Company believes that all of Tlou's operations have, in general, good relations with their employees and contractors. However, employment is an area which has the capacity to give rise to significant legal risk, particularly because of the significant degree of legislation and other regulation. Tlou also employs a number of third party contractors. Industrial action affecting Tlou projects may result in project delays or an increase in costs. Industrial action or threatened industrial action from Tlou's employees or contractors may have a material adverse impact on the development of Tlou's projects and the financial position and prospects of the Company.

Environment and Government Approvals

Tlou's exploration and appraisal programmes will, in general, be subject to approval by government authorities. Development of any CBM resources will be dependent on the project meeting environmental guidelines and gaining approvals by government authorities. Inability to obtain these approvals or unsatisfactory terms and conditions on which these approvals are obtained may have a material adverse impact on Tlou's projects and the financial position and prospects of the Company.

12.7. **Risks Relating To The Countries In Which Tlou Operates**

Country, Geopolitical And Sovereign Risk

The Company is currently involved in CBM operations in Botswana and may explore CBM opportunities in other southern Africa countries in the future. Whilst Botswana is a relatively stable democratic system and diversifying economy, with a low corruption index (in the context of Africa), according to the Corruption Perceptions Index published by Transparency International, and civil unrest and disorder are rare, Tlou may be adversely affected by changes in economic, political, judicial, administrative, taxation or other regulatory factors. There can be no assurance that the political environment in these jurisdictions will continue to be stable now or in the future and this could have an adverse impact on Tlou's operations and assets.

Other risks and uncertainties include, but are not limited to, high rates of inflation, labour unrest, currency exchange rate fluctuations, limitations on repatriation of profits, renegotiation or nullification of existing licences, changes in taxation policies, currency controls and regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens, or purchase supplies from, a particular jurisdiction.

The occurrence of any of these risks or any material changes in government policies, attitude or legislation that affect foreign investment, repatriation of foreign currency, taxation or mineral exploration, development or mining activities, may adversely affect the viability and profitability of the Company's assets and operations in Botswana or other southern Africa jurisdictions in a highly material manner. Failure to comply strictly with applicable laws, regulations and local practices relating to mineral tenure and development, could result in loss, reduction or expropriation of entitlements.

Legal Risks

The Company's operations in Botswana are subject to the jurisdiction of the courts in Botswana. The legal system may be affected by political instability in Botswana and additional legal risks, such as political influence in obtaining effective legal redress in courts and a high degree of discretion on the part of government agencies, may arise as a result.

Further the introduction of new legislation, amendments to existing legislation, the application of developments in existing common law, or the interpretation of those laws, could adversely affect the viability and profitability of the Company's assets and operations in Botswana.

Litigation May Be Brought Against Tlou In The Future

While Tlou is not currently aware of any material outstanding litigation, there can be no guarantee that the current or future actions of Tlou will not result in litigation. There have been a number of cases where the rights and privileges of natural resource companies have been the subject of litigation and companies operating in the unconventional gas industry, as with all industries, may be subject to legal claims, both with and without merit, from time to time. The Directors cannot preclude that such litigation may be brought against Tlou in the future. Defence and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, there can be no assurance that the resolution of any particular legal proceeding will not have a material adverse effect on Tlou's financial position, results or operations. Tlou's business may be materially adversely affected if Tlou and/or its employees or agents are found not to have met the appropriate standard of care or not exercised their discretion or authority in a prudent or appropriate manner in accordance with accepted standards.

Persons holding shares in the form of Depositary Interests may not be able to exercise their voting rights.

Persons holding shares in the form of Depositary Interests may not be able to exercise voting rights. Under the Constitution, only those persons who are Shareholders of record are entitled to exercise voting rights. Persons who hold Ordinary Shares in the form of Depositary Interests will not be considered to be record holders of Ordinary Shares that are on deposit with the Depositary

and, accordingly, will not be able to exercise voting rights. However, the Depositary Deed provides that the Depositary shall pass on, as far as it is reasonably able, rights and entitlements to vote. In order to direct the delivery of votes, holders of Depositary Interests must deliver instructions to the Depositary by the specified date. Neither the Company nor the Depositary can guarantee that holders of Depositary Interests will receive the notice in time to instruct the Depositary as to the delivery of votes in respect of Ordinary Shares represented by Depositary Interests and it is possible that they will not have the opportunity to direct the delivery of votes in respect of such Ordinary Shares.

In addition, persons who beneficially own Ordinary Shares that are registered in the name of a nominee must instruct their nominee to deliver votes on their behalf. Neither the Company nor any nominee can guarantee that holders of Ordinary Shares will receive any notice of a solicitation of votes in time to instruct nominees to deliver votes on behalf of such holders and it is possible that holders of Depositary Interests and other persons who hold Ordinary Shares through brokers, dealers or other third parties will not have the opportunity to exercise any voting rights.

13. COMPETENT PERSON'S REPORT

13.1. Annexure C to this Pre-listing statement contains a Competent Person's Report in terms of section 12 of the BSE Listing Requirements. Within the two years preceding the date of this Pre-listing statement, the Competent Person has had no direct or indirect interest, beneficial or non-beneficial interest in:

13.1.1. any asset including any right to explore for minerals) which has been acquired or disposed of by or leased to or by the Company, including any interest in the consideration passing to or from the Company;

13.1.2. in the share capital of the Company; and

13.1.3. in the promotion of the Company.

PART C: DIRECTORS

14. DIRECTORS

The full names, ages, qualifications, nationalities, addresses, occupations and career details of the Directors of the Company and their Directorships are:

Martin James McIver (Age 44) **MBA**
30 Landsdowne Street,
Newmarket, QLD, 4000

Special Responsibilities	Non-executive Chairman
	Member of the Audit Committee
	Member of the Risk Committee
	Chairman of the Remuneration Committee
Interest in Shares and options	446,088 Ordinary Shares
	500,000 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 14 years' experience as General Manager for mining services companies including bulk and dangerous goods logistics, and drilling services. Martin was the Executive General Manager of the Mitchell Group, a vertically integrated coal and coal seam gas company with investments and operations across Australia, Asia and Africa. Prior to joining the Mitchell Group, Martin was a Director in Mergers and Acquisitions with PricewaterhouseCoopers.

Martin was appointed Non-Executive Director in September 2010 and is currently the Chief Financial Officer of the Workpac group.

Anthony Rechka Gilby (Age 57) **B.Sc. (First Class Honours)**
210 Alice Street
Brisbane, QLD, 4000

Special Responsibilities	Managing Director and Chief Executive Officer
	Member of the Audit Committee
	Member of the Remuneration Committee
Interest in Shares and options	17,946,487 Ordinary Shares
	500,000 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 Gokatweng Gabaake (Age 53) **B.Sc.**
Plot 31625, Gaborone North
Gaborone, Botswana

Special Responsibilities	Executive Director
	Member of the Risk Committee
	Member of the Remuneration Committee
Interest in Shares and options	80,857 Ordinary Shares
	500,000 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 James Cloonan (Age 40) **FCCA**
Caherfurvaus
Craughwell, County Galway, Ireland

Special Responsibilities	Finance Director
	Member of the Audit Committee
	Member of the Remuneration Committee
Interest in Shares and options	19,525 Ordinary Shares
	500,000 Performance Rights

Experience

Colm Cloonan is the Company's Finance Director. Colm is a Fellow of the Association of Chartered Certified Accountants (FCCA) with over 18 years' experience in various finance roles.

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

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

Hugh William Swire (Age 38) **BA (Hons)**
15 Mayfield Road
Acton, London W3 9HQ, United Kingdom

Special Responsibilities	Non-executive Director; appointed 22 June 2017

	Chair of the Risk Committee
	Member of the Remuneration Committee
Interest in Shares and options	3,064,366 Ordinary Shares

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 J P Morgan where he was Vice President.

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

Hugh still travels to China regularly after studying Chinese at Oxford University graduating with a BA Hons.

Hugh is currently a director of Nxgenrampump Limited, Papa Limited, Red Flag Limited, Fairway Biotech Limited, Mahon China Investment Management Limited, Water Power Technologies Limited and Black Country Atelier Limited.

Linah Kelebogile Mohohlo (Age 65) **MA Finance & Investments, BA Economics**
28548 Makunda Road, Goborone Block 3
Goborone, Botswana

Special Responsibilities	Non-executive Director; appointed 12 July 2017
	Chair of the Audit Committee
	Member of the Remuneration Committee
Interest in Shares and options	Nil

Experience

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

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

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

Ms Moholo is currently a director of Debswana Diamond Company Limtied and Diamond Trading Company Botswana Pty Ltd.

15. APPOINTMENT OF DIRECTORS

15.1. The number of Directors (not including alternate Directors of the Company) must be the number, not being less than 3 or more than 9, determined by the Directors, but the number so determined at a particular time must not be less than the number of Directors when the determinations takes effect.

15.2. Subject to the above, the Board may appoint any person as Director.

15.3. Subject to the first provision, the Company may, at a meeting of shareholders at which a Director retires or otherwise vacates office, by resolution fill the vacated office by electing a person to that office.

15.4. A Director need not be a Shareholder.

16. TERMS OF OFFICE OF DIRECTORS

16.1. A director must retire from office no later than the longer of the third annual general meeting of the Company or 3 years, following that Director's last election or appointment.

16.2. If no director would otherwise be required to retire pursuant to the above, but the Listing Rules require that an election of Directors be held at an annual general meeting, the Director to retire at that meeting is any Director who wishes to retire and offer himself or herself for re-election, otherwise it is;

- The Director who has held office as Director for the longest period of time since his or her last election or appointment to that office; or
- If two or more Directors have held office for the same period of time, the Director determined by lot, unless those Directors agree otherwise. A Director who retires pursuant to the provisions above holds office as a Director until the end of the meeting at which time the director retires and is eligible for re-election.

16.3. A Director appointed pursuant to the abovementioned provision must retire at the next annual general meeting occurring after that appointment and is eligible for re-election at that meeting, but is not to be taken into account in determining the number of Directors who are to retire pursuant to the abovementioned provision.

16.4. The following persons are not subject to any of the abovementioned provisions and are not to be taken into account in determining the Directors required to retire at an annual general meeting;

- The managing director of the Company, or if there is more that one managing director, the managing director of the Company nominated by the Board for the purposes of these provisions; and
- An alternate director of the Comapny

17. SENIOR MANAGEMENT OF THE COMPANY

17.1. Colm James Cloonan (Age 40), Chief Financial Officer

Colm Cloonan has over 14 years' experience in various finance roles. He has worked with accounting firms both in Ireland and Australia, where he held senior positions, and provided auditing, taxation advice, consulting and business services to entities in various industries.

Colm has also provided financial and management accounting services to clients, which included retail companies and major coal and gas fired power generation assets in Australia. Colm studied accountancy at the Galway-Mayo Institute of Technology in Ireland and is a Fellow of the Association of Chartered Certified Accountants.

17.2. Solomon Duncan Rowland (Age 41), Company Secretary and Legal Counsel

Solomon Rowland is a lawyer with over 10 years' experience in the legal profession. Solomon holds a Juris Doctor from the University of Queensland. Prior to joining Tlou as Company Secretary and Legal Counsel in February 2013, Solomon worked for Crown Law in Queensland, representing various Queensland Government Departments in a range of legal matters. During his time at Crown Law, 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.

18. AGGREGATE REMUNERATION AND BENEFITS TO DIRECTORS

The remuneration paid to the Directors for years ended 2016 and 2017 are detailed in the table below:

Director's remuneration	2015	2016	2017
Martin Mclver	A$39,420	A$24,637	A$104,610
Anthony Gilby	A$552,180	A$246,361	A$219,408
Gabaake Gabaake*	A$51,289	A$132,589	A$228,488
Colm Cloonan**	-	A$208,764	A$291,678
Hugh Swire***	-	-	-
Linah Mohohlo****	-	-	-

* Gabaake Gabaake was appointed on 11 March 2015
** Colm Cloonan was appointed on 11 February 2016
*** Hugh Swire was appointed on 22 June 2017
**** Linah Mahohlo was appointed on 12 July 2017

19. DIRECTOR'S INTRESTS

As at 5 December 2017, being the last practicable date before publication of this prelisting statement, the Directors directly or indirectly held beneficial interest and shares of the company as set out in the table below:

Director	Beneficial		Non-beneficial		Performance Rights
	Direct	Indirect	Direct	Indirect	
Martin Mclver	30,800	415,288	-	-	500,000
Anthony Gilby	1,695,330	16,251,157	-	-	500,000
Gabaake Gabaake	-	80,857	-	-	500,000
Colm Cloonan	40,754	378,771	-	-	500,000
Hugh Swire	2,943,366	121,000	-	-	-
Linah Mohohlo	-	-	-	-	-

There are no other benefical interests of the Company's Directors which were or are unusual in their nature.

Other transactions with key management personnel:

Item	2016	2017
Office rent paid to The Gilby McKay Alice Street Partnership, a director-related entity of Anthony Gilby	A$46,500	A$21,000
Office rent paid to The Gilby McKay Alice Street Partnership, a director-related entity of Anthony Gilby	A$1,925	A$1,925

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

20. CONSENT OF DIRECTORS

The Directors have consented to act as such and have undertaken to comply with the BSE Listing Requirements.

21. BORROWING POWERS

21.1. The Constitution of the Company does not provide for any explicit borrowing powers of the Board.

21.2. However, In terms of the Constituion the Board has the power to manage the business of the Company and may exercise to the exclusion of the Company in general meeting all powers of the Company which are not, by the law or the Listing Rules or its Constitution, required to be exercised by the Company in general meeting.

21.3. A power of the Board can only be exercised by a resolution passed at a meeting of the Board, a resolution passed by signing a document, or in accordance with a delegation of the power as per the Constitution.

21.4. The Company has not exceeded its borrowing powers in the past 3 years preceeding the publication of this Pre-listing statement.

21.5. There are currently no outstanding material loans, including any debentures, to the Company.

21.6. There are currently no material loans by the Company.

21.7. The Company has no material commitments, lease payments and/or contingent liabilities.

21.8. There is currently no off-balanace sheet financing conducted by the Company.

21.9. The Company has no loan receivables.

22. CORPORATE GOVERNANCE

Tlou has been listed on the ASX since April 2013 and has, at all times since listing, and continues to be, committed to the highest levels of corporate governance. The Directors recognise the importance of sound corporate governance and confirm that although compliance with the UK Corporate Governance Code is not compulsory for AIM companies, following Admission, they intend to comply with the UK Corporate Governance Code, to the extent appropriate and practicable for a company of Tlou's nature and size. As a minimum the Company intends to comply with QCA Corporate Governance Guidelines (as devised by the QCA in consultation with a number of significant institutional small company investors).

Tlou has established an Audit and Risk Committee and a Nomination and Remuneration Committee, details of which are set out below.

22.1. Audit and Risk Committees

The Audit and Risk Committees are required to meet periodically to help the Board oversee and maintain the integrity of Tlou's accounting, financial reporting and internal controls. Additionally, the Audit and Risk Committees are required to commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, failure of internal controls, or infringement of any law, rule or regulation which has or is likely to have a material impact on Tlou's results of operations and/or financial position. The Audit and Risk Committees also have overview and governance control responsibilities for strategic, operational, environmental, sustainability, project, market, ethical, reputational, financial, compliance, technology and human capital risk management. The Audit and Risk Committees have delegated authority from the Board to review and investigate any matter within the scope of the committee's charter and make recommendations to the Board in relation to such matters.

Each member of the Audit and Risk Committees must abstain from voting on any resolution in respect of such matters in which that member is interested.

22.2. **Nomination and Remuneration Committee**

The Nomination and Remuneration Committee is responsible for assisting the Board in the effective discharge of its responsibilities in relation to the composition of the Board and to the performance and remuneration of executive and non-executive directors of Tlou. The Nomination and Remuneration Committee will meet at least twice a year and at such other times as the chairman of the committee shall require.

The Nomination and Remuneration Committee decides how the performance of the Board is to be evaluated and proposes objective performance criteria, subject to the approval of the Board, which address how the Board has enhanced long-term Shareholder value. The Board has implemented a process to be carried out by the Nomination and Remuneration Committee for assessing the effectiveness of the Board as a whole and for assessing the contribution by each individual director to the effectiveness of the Board.

The Nomination and Remuneration Committee is responsible for reviewing the composition of the Board and its balance of expertise, skills, attributes and abilities and reviewing and recommending the nomination or renomination of directors having regard to each director's contribution and performance. The Nomination and Remuneration Committee also recommends, to the Board, candidates for senior management positions and directorships.

All aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, options and benefits in kind must be reviewed by the Nomination and Remuneration Committee. The Nomination and Remuneration Committee also reviews the remuneration of senior management. Each member of the Nomination and Remuneration Committee is required to abstain from voting in respect of any resolutions and making recommendations and/or participating in any deliberations of the Nomination and Remuneration Committee in respect of such member's performance or their remuneration package.

The recommendations of the Nomination and Remuneration Committee are submitted for endorsement byte Board.

22.3. **Anti-Bribery and Corruption Policy**

The Board has adopted an Anti-Bribery and Corruption Policy, published on the Company's website, which is a high level policy by the Board committing the Company to carrying out its business fairly openly and honestly and to preventing bribery and corruption by persons associated with the Company.

23. DIVIDENDS

The are no dividends paid or proposed to be paid by the Company to any person or persons.

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Level 10, 12 Creek St
Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001

To the Directors
Tlou Energy Limited
210 Alice Street
Brisbane QLD 4000

15 November 2017

Dear Directors

INDEPENDENT LIMITED ASSURANCE REPORT ON TLOU ENERGY LIMITED FINANCIAL INFORMATION

BDO Audit Pty Ltd ('BDO Audit') have been engaged by Tlou Energy Limited ("the Company" or "Tlou") to report on the Historical Information of Tlou for inclusion in the Accountants Report dated on or about 15 November 2017 and relating to the proposed listing of the Company by Introduction on the Botswana Stock Exchange.

Expressions and terms defined in the Accountants Report have the same meaning in this report.

Scope

Historical financial information

You have requested BDO Audit Pty Ltd to review the following historical financial information included in the Accountants Report:

- The audited Consolidated Statements of Comprehensive Income for the years ended 30 June 2013, 30 June 2014, 30 June 2015, 30 June 2016 and 30 June 2017 of the Group
- The audited Consolidated Statements of Financial Position as at 30 June 2016 and 30 June 2017 of the Group;
- The audited Statement of Financial Position as at 30 June 2016 and 30 June 2017 of Tlou;
- The audited Consolidated Statement of Changes in Equity for the year ended 30 June 2016 and 30 June 2017 of the Group and;
- The audited Consolidated Statements of Cash Flows for the year ended 30 June 2016 and 30 June 2017 of the Group

Hereafter referred to as "the Historical Financial Information".

The Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the company's adopted accounting policies.

The Historical Financial Information of Tlou has been extracted from the consolidated financial reports of Tlou as at 30 June 2017. BDO Audit included an emphasis of matter on a material uncertainty related to the Company's ability to continue as a going concern.

The Historical Financial Information is presented in the Accountants Report in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation, other than for the acts or omissions of financial services licensees.

Directors' responsibility

The directors of Tlou are responsible for the preparation of the Historical Financial Information. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Our responsibility

Our responsibility is to express a limited assurance conclusion on the financial information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

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

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the financial information.

Conclusions

Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Historical Financial Information, as described the Accountants Report, and comprising:

- The audited Consolidated Statements of Comprehensive Income for the years ended 30 June 2013, 30 June 2014, 30 June 2015, 30 June 2016 and 30 June 2017 of the Group
- The audited Consolidated Statements of Financial Position as at 30 June 2016 and 30 June 2017 of the Group;
- The audited Statement of Financial Position as at 30 June 2016 and 30 June 2017 of Tlou;
- The audited Consolidated Statement of Changes in Equity for the year ended 30 June 2016 and 30 June 2017 of the Group and;
- The audited Consolidated Statements of Cash Flows for the year ended 30 June 2016 and 30 June 2017 of the Group

are not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Note 1 of the Accountants Report.

Restriction on use

Without modifying our conclusions, we draw attention to the Financial Information - Basis of Preparation of the Accountants Report, which describes the purpose of the financial information, being for inclusion in the Accountants Report. As a result, the financial information may not be suitable for use for another purpose.

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation, other than for the acts or omissions of financial services licensees.

Consent

BDO Audit Pty Ltd has consented to the inclusion of this independent limited assurance report in the Accountants Report in the form and context in which it is included.

Liability

The liability of BDO Audit Pty Ltd is limited to the inclusion of this report in the Accountants Report. BDO Audit Pty Ltd makes no representation regarding, and takes no responsibility for, any other statements, or material in, or omissions from, the Accountants Report.

General advice warning

The report has been prepared, and included in the Accountants Report to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to take the place of professional advice and investors should not make specific investment decisions in reliance on information contained in this report. Before acting or relying on any information, an investor should consider whether it is appropriate for their circumstances having regard to their objectives, financial situation or needs.

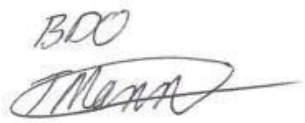
Independence or Disclosure of Interest

BDO Audit Pty Ltd does not have any interest in the outcome of the proposed listing, or any other interest that could reasonably be regarded as being capable of affecting its ability to give an unbiased conclusion in this matter. BDO Audit Pty Ltd will receive normal professional fees for the preparation of this report.

BDO Audit Pty Ltd are auditors of Tlou and from time to time BDO Audit Pty Ltd also provides Tlou with certain other professional services for which normal professional fees are received.

Yours faithfully

BDO Audit Pty Ltd



T R Mann
Director

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Chairman's letter

Dear Shareholders,

Over the past year we have made excellent progress towards establishing ourselves as a key power player in Botswana, culminating in being awarded our Mining Licence in August 2017. This was a key target as we work towards our goal of reducing the regional power deficit in Southern Africa through the development of our gas to power project via Coal Bed Methane ('CBM').

We are privileged to have the support of the forward-thinking Government of Botswana, which announced last year that CBM, a relatively clean source of energy and more competitively priced than solar and diesel, is to be included as part of the country's forward plan to combat power deficiency. Early in 2017, with our Environmental Impact Statement for upstream development already approved, we were delighted to receive a Request for Proposal ('RFP') from the Ministry of Mineral Resources, Green Technology and Energy Security to provide up to 100MW of CBM power from Lesedi. A detailed response to this RFP will be submitted in Q3 2017 which will incorporate a phased approach, firstly delivering up to 10MW, before expanding further. This phased development plan would allow power to get to the grid sooner, thereby generating revenue for the Company and would require less capital expenditure upfront.

As 100% owners of the most advanced CBM project in Botswana we believe we are in an excellent position to deliver the project outlined in our response to the RFP. In addition, we have collaborated with a leading power plant developer, London based Independent Power Corporation PLC ('IPC') to jointly develop our CBM power project with Tlou taking responsibility for the gas field development and IPC leading the power generation aspect of the project. IPC brings power generation experience and funding partners to the project which significantly enhances its viability. Notably, IPC has since entered into a joint venture partnership, "QG Power Africa", with QG Africa Mezzanine LP, a US$250 million investment vehicle which is part of the Quantum Global Group, and Tomé International Limited, a project management consulting firm, to jointly develop power assets in sub-Saharan Africa.

Tlou's Lesedi project has Botswana's first independently-certified CBM reserves which were upgraded to 3.9 billion cubic feet ('BCF') 2P and 261 BCF 3P gas reserves. We believe there is significant further upside to these figures which will come to fruition through further de-risking of both the Lesedi and Mamba project areas. With this in mind we have commissioned a 2D seismic survey over areas considered to be highly prospective for the addition of gas reserves. As well as potentially increasing the contingent resources and reserves the results of the survey will provide information which will enhance our knowledge of the sub-surface structures and resources in advance of further core well drilling.

Tlou has been producing gas from its operations in Botswana for over a year and in June 2017 generated its first power from CBM, a significant milestone for the Company and in effect a proof of concept of 'first gas monetisation'. This landmark achievement followed the installation of a gas generator at the Selemo project area which is now running on gas being produced by our own wells. Power required to run pumps and metering at the Selemo wells was previously supplied solely by diesel generators.

During the year, we were delighted to complete a share purchase plan and placings to raise A$9.7 million which was well supported by new investors and existing shareholders. This cash has enabled us to undertake additional field appraisal and to finalise licencing requirements. Additionally, on a corporate level we have made two valuable additions to the Tlou Board as Non-Executive Directors. We welcome Mr. Hugh Swire who brings expert knowledge and direct investment experience in the low carbon, water, energy and technology sectors having completed and exited investments into several leading companies in the low carbon sector; and Ms. Linah Mohohlo, who as well as being the former Governor of the Bank of Botswana, has significant experience in the mining industry in Botswana.

This has been a highly active year for Tlou. With the Lesedi Mining Licence now in hand which is an important prerequisite to developing the first commercial gas-to-power project in the Botswana, we have a range of milestones ahead that are set to be pivotal in shaping our future and we believe we are very well placed to achieve our objectives. I would like to take this opportunity to thank the Tlou Board, Management Team, 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,

The Lesedi CBM project has been further de-risked during the year after achieving some major milestones as we aim to deliver power to Botswana and the Southern African region.

In September 2016, we were granted approval of our Environmental Impact Statement ('EIS') by Botswana's Department of Environmental Affairs ('DEA'). This process took over two years to be completed including preparation of all regulatory documentation, followed by a review and final approval by the Government. An approved EIS is essential prior to the application for a Mining Licence in Botswana. A Mining Licence is required prior to the commencement of full field development. With our EIS in place, post-year end we submitted our Mining Licence application to Botswana's Department of Mines in the Ministry of Mineral Resources, Green Technology and Energy Security. We received notification in August 2017 that the application had been successful and the Mining Licence was granted. This was the first CBM mining licence granted in Botswana, with the Mining Licence covering a large area of approximately 900km^2.

In October 2016, we were delighted to receive an initial independent reserve certification from SRK Consulting (Australasia) Pty Ltd ('SRK'), marking Botswana's first independently certified CBM natural gas reserves. In early 2017, we were able to reinforce the commerciality of the project with a significant upgrade to these reserves with an increase in 2P (Proved and Probable) gas reserves to 3.9 billion cubic feet ('BCF') and 3P (Proved, Probable and Possible) gas reserves to 261 BCF. These increases comprised additional certified reserves in the Lesedi Project area (PL 002) based on a southern extension of the Selemo pilot area; and initial certified reserves in the Mamba Project area (PL's 238 and 240) based on a western extension of the Selemo pilot area. Together, we believe that the Lesedi and Mamba projects will continue to develop into a valuable resource for our shareholders as we work towards increasing the certified gas reserves in both areas.

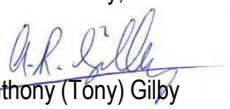
In January 2017, we received a detailed Request for Proposal ('RFP') from the Government of Botswana to develop up to 100MW of CBM power in Botswana. This indicates the Government's commitment to facilitate the development of a CBM industry in Botswana. The proposed Government power purchase agreement will assist in fast-tracking the development of the gas industry in the country and creates a new market for our gas. We made the decision to partner with Independent Power Corporation PLC to jointly develop our proposed (up to) 100 MW CBM to power project. Together, we have finalised work on a detailed proposal for the supply of CBM power in modular stages, which forms a significant part of the planned submission to the Government of Botswana in response to the RFP.

In line with further de-risking our project ahead of development we appointed Velseis Pty Ltd ('Velseis'), an experienced seismic survey contractor, to undertake a fully funded seismic survey for both the Lesedi and Mamba permits. The seismic survey will assist in our plan to drill more wells, by providing us with enhanced knowledge of sub-surface structures and resources in our project areas. The seismic survey will expand our geological database beyond the known gas reserve areas by providing data on potential gas reservoir compartments that have been identified outside the currently mapped gas reserve areas. Geological information over these compartments is relatively sparse other than the existing aeromagnetic data held by the Company, which was reprocessed by our reserve certifiers during the year. New seismic information is anticipated to potentially expand gas reserves and/or contingent resources should it be demonstrated that continuity of gas-rich coal exists. We look forward to reporting the results later this year.

Following the installation of a gas generator at the Selemo project area during the year, we generated our first power from CBM at the Lesedi project. Rather than flaring gas produced from the Selemo pilot wells, it can now be redirected to a gas generator for use in the field. Use of this indigenous gas provides a saving to the Company due to the reduced diesel requirement, effectively 'first gas monetisation'. We plan to replace another diesel generator in the near term which would provide further savings on diesel costs.

We believe that Tlou is well positioned to succeed in the RFP tender process and we look forward to providing further updates over the coming months. This is an exciting time for Tlou and I would like to thank our ground team for the consistent hard work in moving this project forward.

Yours faithfully,



Anthony (Tony) Gilby
Managing Director

Directors' report

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Tlou Energy Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at 30 June 2017.

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; appointed 22 June 2017
Linah Mohohlo	Non-Executive Director; appointed 12 July 2017

Dividends

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

Incorporation

The Company was incorporated in Australia on 23 April 2009 as a private company named Tlou Energy Pty Ltd. The Company converted to a Public company on 16 March 2010 and changed its name to Tlou Energy Limited. The Company is listed on the Australian Securities Exchange (ASX) and on the AIM market of the London Stock Exchange (AIM). The Company's registration number (Australian Company Number) is 136 739 967. The registered office is 210 Alice Street, Brisbane, QLD 4000, Australia.

Principal activities

The principal activity of the consolidated entity is the exploration and evaluation of assets in Botswana to identify and develop Coalbed Methane (CBM) natural gas resources suitable for gas-to-power generation. No revenue from this activity has been earned to date, as the consolidated entity is still in the exploration and evaluation stage.

Significant changes in the state of affairs

During the year ended 30 June 2017, there were no other significant changes to the state of affairs of the consolidated entity other than those disclosed in the report and notes thereof.

Review and results of operations

The loss for the year after income tax amounted to $3,165,323 (30 June 2016: $3,065,583). The loss for the year is in line with the loss for the previous year, however there are different expenses attributable to the loss in each year.

The 2017 figures include an expense for performance rights issued to key personnel during the reporting period, amounting to $423,499. This is a non-cash item and represents the valuation of the performance rights issued. Further information on this valuation is outlined in the notes to the financial statements.

Also included this year are share issue costs of $356,732, that relate to the capital raisings conducted by the Company during the year. While the gross amount of capital raised in this reporting period (~$9.7m) was significantly higher than that of the prior year (~$2.3m), the related costs incurred this year were lower. The prior year costs were high as this included the costs related to the listing of the Company on the AIM Market in the UK.

Management continues to be extremely focused on reducing corporate, administrative, and operating costs wherever possible, as long as this can be done without any adverse effect on performance. Significant corporate and administrative costs incurred during the year include travel and accommodation, due to the location of the assets in Botswana and the Company being listed in both the UK and Australia; stock market and advisory related costs, due to having corporate requirements both in the UK and Australia; and

also investor relations, which was a key focus during the reporting period, and remains so, in order to maximise market awareness of the Company to increase shareholder value.

Net spend on exploration activities during the period amounted to approximately $1.8m. This is lower than the prior year as the Company did not drill additional wells this financial year. Funds were primarily incurred on operations in the Selemo project area. The increase in total liabilities compared to the end of the previous reporting period is primarily due to the additional amounts payable to specialist consultants being used at year end in relation to the Company's plan to submit a proposal to the Government of Botswana for the development of a CBM gas-to-power project to produce up to 100MW of power. This is outlined in more detail later in this report.

Reserves Certification

The Company is focused on delivering power in Botswana and Southern Africa through the development of its CBM assets. Tlou's Lesedi CBM Project ('Lesedi') is believed to be the most advanced CBM project in Botswana. This was highlighted in October 2016 when Tlou Energy became the first company in Botswana to achieve independently certified CBM gas reserves, following certification from SRK Consulting (Australasia) Pty Ltd ('SRK') for the Lesedi CBM Project. Subsequently, these initial reserves were upgraded in January 2017.

The three Selemo production wells, located at the Lesedi project, each consist of a vertical well and an intersecting horizontal well. Sustained gas has been flowing at the Selemo pilot project for over 12 months with the data obtained from the production testing program at Selemo used by SRK in the reserve certification process. Reserve certification is a major milestone and demonstrates the commerciality of the Lesedi CBM Project. The Company aims to continue to upgrade these reserves as further production data is collected.

Request for Proposal for CBM Power Project

The Company received a detailed Request for Proposal ('RFP') from the Ministry of Mineral Resources, Green Technology and Energy Security ('the Ministry') in Botswana for the development of up to 100MW of CBM fuelled pilot power plants ('IPP Project'). Tlou was selected to bid for the development as an independent power producer. Tlou submitted its proposal prior to the closing date of 20 September 2017. The RFP included details of the proposed field development, the installation of power generation facilities and supply of power into the grid in Botswana. The submission outlined a scalable CBM gas-to-power project. A scalable approach, with power connected to the grid in phases would allow power to get to the grid sooner, thereby generating revenue for the Company and would require less capital expenditure upfront.

The Ministry will assess the proposal and advise the Company if the application has been successful or not. An exact timeline of when this decision will be made has not yet been indicated. In the event that the proposal is accepted, the Company will then enter into further discussions with the relevant authorities in Botswana to determine the full specifics of the development including signing a power purchase agreement.

Environmental approval

In 2014, the Company commenced work on its application for an Environmental Impact Statement ('EIS'). This addresses the social and environmental context of the area surrounding the planned wellfield development project at Lesedi and CBM exploration activities in Tlou's Mamba and Lesedi areas. The Department of Environmental Affairs in Botswana confirmed during the year that the EIS has been approved and adequately identified and assessed anticipated impacts associated with the proposed activity. This is another significant development highlighting Tlou's status as the most advanced CBM project in the country. Any new entrants to the market would be expected to acquire an approved EIS prior to commencing field exploration, let alone development.

The approved EIS allows further exploration operations to be conducted on Tlou's remaining prospecting licences and commencement of field development work on the Lesedi project area.

Project Partner

In February 2017, Tlou signed a Heads of Agreement ('Agreement') with Independent Power Corporation PLC ('IPC') to jointly develop Tlou's proposed IPP Project.

IPC develops and operates power plants for governments, large corporations and independent power producers. IPC has two decades of experience in the development, operation and ownership of power plants in Southern Africa, South America, the Middle East, Europe and Central Asia with roughly 4,000 MW operated, developed or owned. IPC's experience includes thermal and hydropower generation. IPC's head office is located in London, UK.

IPC has also introduced funding partners who have provided letters of interest for in-principle funding support for the downstream infrastructure requirements of the IPP Project. The agreement with IPC is potentially a major step forward in commercialising Tlou Energy's gas resources with highly experienced power developers, funding groups and equipment suppliers.

Post the announcement of IPC as project partner, IPC themselves announced that it has entered into a joint venture partnership, QG Power Africa, with QG Africa Mezzanine LP, a USD250 million investment vehicle which is part of the Quantum Global Group, and Tomé International Limited, project management consulting firm, to jointly develop power assets in sub-Saharan Africa. This has potential positive implications for the future funding of the IPP Project. QG Power Africa plan to develop power assets across sub-Saharan Africa with Botswana outlined as part of the first phase of development and investment, where Tlou's project would be a potential investment opportunity for QG Power Africa.

Mining Licence

The Company was granted a mining licence in August 2017. The Mining Licence for the Lesedi CBM project is the first CBM mining licence granted in Botswana.

Holders of Prospecting Licences ('PL') are issued Mining Licences once exploration on a relevant PL has been concluded and the holder of the PL is ready to commence commercial production. Mining Licences are assessed in accordance with the prescribed statutory requirements of the Botswana Mines and Minerals Act. Two major components of a Mining Licence application are an approved EIS, granted for the Lesedi Project as outlined in this report, and a feasibility study for the relevant project. The Mining Licence covers approximately 900Km^2, which is the area previously designated as prospecting licence PL002/2004. With a term of 25 years the Mining Licence gives security of tenure over the project area and shows Tlou's progression from CBM exploration and appraisal to development.

The award of a Mining Licence is another milestone for the Company which further enhances its first mover advantage to develop a gas-to-power project in the region. A CBM mining licence can pioneer the development of a new and exciting CBM natural gas industry in Botswana, an industry that could lead to a new indigenous source of energy and employment for the country and the region. Over time, it will potentially allow new manufacturing industries to develop using CBM gas and facilitate the creation of a new renewable energy industry. Gas is a much cleaner alternative fuel source compared to coal and diesel so is a relatively clean and cost-effective way to provide peaking power. CBM development can enhance the viability of solar power projects and can be ideal for use with renewable energy which can often be intermittent in nature.

Conversion of field generation from diesel to gas

The Company generated its first power from CBM at its field in Botswana following the installation of a gas generator at the Selemo project area, highlighting CBM as a real and viable source of power in the region. A Cummins 8.3L natural gas-powered generator was installed and commissioned on the Selemo S1P site to replace the existing diesel-powered unit.

The gas generator is currently supplying power to operate the down hole pumps and surface infrastructure on Selemo wells 1P, 2P & 4P with the capacity to provide additional power if required. The previous diesel generator now serves as a backup power supply to provide power during routine servicing of the new Cummins unit. The Cummins gas power unit was selected based on its suitability to the project and was set up to meet the operating requirements on site, where high ambient temperatures and sandy conditions are present. The proven reliability of the Cummins engine was also a significant factor along with availability of a local support network. The unit has been in operation for 1500 hrs of continuous running without any issue. A second unit has been secured for installation at a later date.

Selemo pilot wells

Ongoing gas flow testing of the Selemo wells has shown consistent production of gas, which has been encouraging and in-line with expectations. Selemo 4P continues flaring with a steady and consistent rate of gas production, while gas from 1P has been switched from flaring to supplying gas for the gas generator installed during the year.

A workover program was completed on the Selemo S1P vertical well and the adjoining Selemo S1AR lateral well. The objectives of the workover were to flush any coal fines (minor coal particles) from the wells that may have accumulated near the intersecting point of the lateral and vertical well; and for the scheduled monitoring of wear on downhole equipment. The wear on the guide bushings on S1AR was found to be very minimal and the same configuration was re run with no replacement of the down hole equipment required. The down hole pressure gauge was changed out as part of the workover.

The workover on S1P (vertical well) resulted in the down hole progressive cavity pump being changed out due to some noted wear on the rotor of the existing unit. This was performed as a precautionary measure to ensure the life of the pump. The down hole pressure gauge was also changed out as done on S1AR.

Planned Seismic Survey

The Company entered into a contract for a 250 km 2D seismic program with Velseis Pty Ltd, an Australian seismic acquisition and processing company providing a fully integrated range of seismic technologies. Velseis has built a reputation as a leading Australian contractor in this field, with over 25 years of experience throughout the Asia-Pacific Region. The seismic program is scheduled to

commence in H2, 2017. It is envisaged this survey will give the Company the opportunity to expand its gas reserves and contingent resources as it progresses towards developing the first CBM gas to power project in Botswana.

The seismic survey will assist in the next step of Tlou's plan to drill more wells by providing the Company with enhanced knowledge of the sub-surface structures and resources within the Lesedi and Mamba project areas. The seismic information along with the data from a subsequent core well program may also lead to further gas reserves and contingent resources being certified.

Works to prepare for the seismic program are complete including clearing of tracks within the Lesedi and Mamba areas to allow the seismic team to conduct seismic testing along the defined tracks. This work was carried out within the guidelines of the Company's EIS with a focus on minimising the impact to vegetation and ground disturbance.

Capital Raised

The Company successfully raised capital through a share purchase plan and placements during the year. These funds are being, or already have been, applied by Tlou towards various costs including:

- production testing at Selemo;
- achieving initial and expanded independent reserves certification;
- installation of a gas engine to run equipment on existing wells;
- completing environmental and mining licence application and approvals;
- acquisition and interpretation of new 2D seismic data in areas considered to be highly prospective for additional reserves by the Company's reserve certifiers;
- drilling vertical (cored) wells along the new seismic lines (with geophysical logging and coal core gas sampling) to a depth of approximately 500 metres;
- completing various studies (upstream and downstream) required for the submission of the mining licence application and IPP Project submission; and
- capital raising expenses, corporate costs and working capital.

Matters subsequent to the end of the financial year

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

Likely developments and expected results of operations

Production testing is continuing in the Lesedi CBM project. Continued gas production will provide further assurance to independent reserves certifiers regarding the commerciality of the gas flow rates, the ability of the wells to flow for a significant length of time and ultimately an estimate of the amount of gas that could be attained from the gas field. The continued performance of the gas wells is a key focus for the Company.

Additionally, a successful outcome from the RFP submission to the Ministry of Mineral Resources, Green Technology and Energy Security in Botswana, is extremely important as it is an ideal pathway towards a power purchase agreement and, once initial development is completed, the IPP Project will connect Tlou Energy's gas field to the regional grid, thereby opening up the possibility for the Company to provide power across the Southern African region, through the Southern African Power Pool. In the event that the Company does not receive approval, this may delay access to the grid and consequently development of Tlou's gas assets. No guarantee can be given in relation to the expected results for the Consolidated Group, including whether the gas production will continue in a positive manner or that the RFP submission to Government will be successful. However, the electricity market in Southern Africa continues to suffer from chronic shortage of supply, so development of gas and gas fired power in the region remains a very attractive commercial option.

Environmental regulation

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

Shares under option

Unissued ordinary shares of Tlou Energy Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
30-Nov-15	29-Nov-17	$0.140	1,500,000
14-Jan-16	14-Jan-18	$0.140	500,000

No option holder has any right under the options to participate in any other share issue of the company or any other entity.

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

Vesting Date	Exercise Price	01/07/2016	Issued	Exercised	Expired	30/06/2017
31 January 2017	$0.21	-	2,275,000	-	-	2,275,000
31 January 2017	$0.28	-	2,275,000	-	-	2,275,000
		-	4,550,000	-	-	4,550,000

Shares issued on the exercise of options

There were no ordinary shares of Tlou Energy Limited issued during the year ended 30 June 2017 on the exercise of options granted or up to the date of this report.

Indemnity and insurance of officers

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

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

Indemnity and insurance of auditor

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

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

Proceedings on behalf of the Company

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

Currency and rounding

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is attached.

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 Group 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.

	2017	2016
	$	$
Non-audit services - BDO Australia		
Tax consulting and compliance services	10,172	16,132
AIM listing	-	36,983
Total	10,172	53,115

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, 11 September 2017

Financial Information

This Section sets out the Historical Financial Information. The basis for preparation and presentation of this information is also set out below.

The Historical Financial Information has been prepared by management and adopted by the Board. The Board is responsible for the inclusion of all financial information in the Prospectus. BDO Audit Pty Ltd has prepared an Independent Limited Assurance Report in respect of the Historical Financial Information.

The Historical Financial Information has been prepared in accordance with the recognition and measurement criteria of Australian Accounting Standards and the significant accounting policies set out in Note 1 below. The Historical Financial Information comprises the consolidated financial information of Tlou Energy Limited ("Tlou" or "the Group"), in addition to the financial information of the Company only. The Historical Financial Information is presented in an abbreviated form insofar as it does not include all the disclosures and notes required in an annual financial report prepared in accordance with Australian Accounting Standards and the Corporations Act 2001.

Tlou is seeking an investor (or investors) to participate in a new grid connected power project in Botswana, Southern Africa (the "Project"). The Project is based on generating and transmitting electrical power from coal bed methane (CBM) gas extracted from Tlou's Lesedi CBM Project (the "Lesedi Project"). Tlou seeks an equity commitment from the Cornerstone Investor of a minimum of US$3m in conjunction with the BSE Listing.

This section has been prepared on the basis of the Company successfully raising a minimum of US$3,000,000 from its cornerstone investor.

Historical Financial Information

The Historical Financial Information for both Tlou set out below comprises:

- The audited Consolidated Statements of Comprehensive Income for the years ended 30 June 2013, 30 June 2014, 30 June 2015, 30 June 2016 and 30 June 2017 of The Group
- The audited Consolidated Statements of Financial Position as at 30 June 2016 and 30 June 2017 of The Group;
- The audited Statement of Financial Position as at 30 June 2016 and 30 June 2017 of Tlou;
- The audited Consolidated Statement of Changes in Equity for the year ended 30 June 2016 and 30 June 2017 of The Group and;
- The audited Consolidated Statements of Cash Flows for the year ended 30 June 2016 and 30 June 2017 of The Group
- hereafter referred to as the Historical Financial Information.

The Group consolidated financial statements for the year ended 30 June 2013, 30 June 2014, 30 June 2015, 30 June 2016 and 30 June 2017 have been subject to an audit by BDO Audit Pty Ltd and all included an emphasis of matter on a material uncertainty related to the Company's ability to continue as a going concern.

Consolidated Statement of Comprehensive Income

	Note	Consolidated June 2017 $	June 2016 $	June 2015 $	June 2014 $	June 2013 $
Interest income		2,365	27,857	114,133	193,861	74,532
Other income		-	-	-	200	65,477
Expenses						
Employee benefits expense	3	(617,581)	(613,809)	(1,290,766)	(999,567)	(1,104,890)
Depreciation and amortisation expense		(240,961)	(260,564)	(304,746)	(307,209)	(233,978)
Impairment - exploration and evaluation assets		-	-	-	(2,946,127)	-
Impairment - goodwill		-	-	-	-	-
Foreign exchange loss		(37,181)	(247,007)	120,835	(26,737)	(387,278)
Share issue costs		(356,732)	(779,310)			
Performance rights expense	3	(423,499)	-	-	-	
Share options expense				-	(48,640)	(1,927,009)
Professional fees		(177,121)	(185,566)	(205,861)	(239,161)	(1,035,380)
Corporate expenses		(48,437)	(57)	(55,732)	(9,572)	(1,032)
Occupancy costs	3	(47,817)	(64,601)	(169,256)	(182,757)	(226,585)
Other expenses	3	(1,218,359)	(942,526)	(939,507)	(840,262)	(1,310,931)
LOSS BEFORE INCOME TAX		(3,165,323)	(3,065,583)	(2,730,900)	(5,405,971)	(6,087,074)
Income tax	4	-	-	-	3,116,605	-
LOSS FOR THE PERIOD		(3,165,323)	(3,065,583)	(2,730,900)	(2,289,366)	(6,087,074)
OTHER COMPREHENSIVE INCOME/(LOSS) Items that may be reclassified to profit or loss Exchange differences on translation of foreign operation Tax effects		1,210,182	(2,395,125)	2,139,374	(1,767,181)	495,814
		-	-	-	-	-
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS)		1,210,182	(2,395,125)	2,139,374	(1,767,181)	495,814
TOTAL COMPREHENSIVE INCOME/(LOSS)		(1,955,141)	(5,460,708)	(591,526)	(4,056,547)	(5,591,260)
Loss for the year is attributable to:						
Owners of Tlou Energy Limited		(3,165,323)	(3,065,583)	(2,730,900)	(2,286,368)	(6,878,103)
Non-controlling interests		-	-	-	(2,998)	791,029
		(3,165,323)	(3,065,583)	(2,730,900)	(2,289,366)	(6,087,074)
Total comprehensive income/(loss) attributable to:						
Owners of Tlou Energy Limited		(1,955,141)	(5,460,708)	(591,526)	(4,051,644)	(6,394,082)
Non-controlling interests		-	-	-	(4,903)	802,822
		(1,955,141)	(5,460,708)	(591,526)	(4,056,547)	(5,591,260)
Earnings per share		Cents	Cents	Cents	Cents	
Basic loss per share	5	(1.3)	(1.5)	(1.8)	(1.8)	(8.6)
Diluted loss per share	5	(1.3)	(1.5)	(1.8)	(1.8)	(8.6)

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

Consolidated Statement of Financial Position

	Note	Consolidated June 2017 $	Consolidated June 2016 $
CURRENT ASSETS			
Cash and cash equivalents	6	6,727,424	1,224,404
Trade and other receivables		100,674	290,431
Other current assets		8,650	43,969
TOTAL CURRENT ASSETS		6,836,748	1,558,804
NON-CURRENT ASSETS			
Exploration and evaluation assets	8	49,328,038	46,183,722
Other non-current assets	9	694,402	946,675
Property, plant and equipment	7	320,739	444,358
TOTAL NON-CURRENT ASSETS		50,343,179	47,574,755
TOTAL ASSETS		57,179,927	49,133,559
CURRENT LIABILITIES			
Trade and other payables	10	431,032	306,956
Provisions	11	166,193	160,874
TOTAL CURRENT LIABILITIES		597,225	467,830
NON-CURRENT LIABILITIES			
Deferred tax liabilities	4	369,353	369,353
Provisions	11	94,000	94,000
TOTAL NON-CURRENT LIABILITIES		463,353	463,353
TOTAL LIABILITIES		1,060,578	931,183
NET ASSETS		56,119,349	48,202,376
EQUITY			
Contributed equity	12	83,380,184	73,931,569
Reserves		(3,107,432)	(4,741,113)
Accumulated losses		(24,153,403)	(20,988,080)
TOTAL EQUITY		56,119,349	48,202,376

	Cents	Cents
Net Assets per share	0.18	0.23

The consolidated entity does not have any intangible assets

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

Statement of Financial Position – Company Only

	June 2017	June 2016
	$	$
Assets		
Current assets		
Cash and cash equivalents	6,585,482	1,114,558
Trade and other receivables	55,228	262,009
Other current assets	0	34,743
	6,640,710	1,411,310
Total current assets	6,640,710	1,411,310
Non-current assets		
Financial assets - shares	30,287,093	30,287,093
Exploration and evaluation asset	(73,342)	(73,342)
Property, plant and equipment	1,815	633
Total non-current assets	30,215,566	30,214,384
Total assets	36,856,276	31,625,695
Liabilities		
Current liabilities		
Trade and other payables	318,528	149,903
Current provisions	12,372	23,784
Total current liabilities	330,900	173,688
Total liabilities	330,900	173,688
Net assets	36,525,376	31,452,007
Equity		
Contributed equity	83,380,184	73,931,569
Share options reserve	520,499	2,159,745
Retained profits/(losses)	(47,375,307)	(44,639,308)
Equity attributable to the owners of Tlou Energy Limited	36,525,376	31,452,006
Non-controlling interest	0	0
Total equity	36,525,376	31,452,006
	Cents	Cents
Net Assets per share	0.12	0.15

The Company does not have any intangible assets

Consolidated Statement of Changes in Equity

	Contributed Equity	Share Based Payments Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total
	$	$	$	$	$
Balance at 1 July 2015	71,606,519	2,062,745	(2,442,989)	(19,985,242)	51,241,033
Loss for the period	-	-	-	(3,065,583)	(3,065,583)
Other comprehensive income	-	-	(2,395,125)	-	(2,395,125)
Total comprehensive income	-	-	(2,395,125)	(3,065,583)	(5,460,708)
Transactions with owners in their capacity as owners					
Share based payments	-	97,001	-	-	97,001
Transfers	-	(2,062,745)	-	2,062,745	-
Shares issued, net of costs	2,325,050	-	-	-	2,325,050
	2,325,050	(1,965,744)	-	2,062,745	2,422,051
Balance at 30 June 2016	73,931,569	97,001	(4,838,114)	(20,988,080)	48,202,376
Balance at 1 July 2016	73,931,569	97,001	(4,838,114)	(20,988,080)	48,202,376
Loss for the period	-	-	-	(3,165,323)	(3,165,323)
Other comprehensive income	-	-	1,210,182	-	1,210,182
Total comprehensive income	-	-	1,210,182	(3,165,323)	(1,955,141)
Transactions with owners in their capacity as owners					
Share based payments	-	423,499	-	-	423,499
Shares issued, net of costs	9,448,615	-	-	-	9,448,615
	9,448,615	423,499	-	-	9,872,114
Balance at 30 June 2017	83,380,184	520,500	(3,627,932)	(24,153,403)	56,119,349

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

Consolidated Statement of Cash Flows

		Consolidated	
		June 2017	June 2016
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees (inclusive of GST)		(2,446,145)	(2,896,862)
Interest received		2,365	27,857
GST and VAT received		98,911	565,759
NET CASH USED IN OPERATING ACTIVITIES	22	(2,344,869)	(2,303,246)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for exploration and evaluation assets		(1,852,642)	(5,783,800)
Payment for property, plant and equipment		(100,764)	(24,102)
NET CASH USED IN INVESTING ACTIVITIES		(1,953,406)	(5,807,902)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		9,938,787	2,292,540
Share issue costs		(162,317)	(227,676)
NET CASH PROVIDED BY FINANCING ACTIVITIES		9,776,470	2,064,864
Net increase/(decrease) in cash held		5,478,195	(6,046,283)
Cash at the beginning of the period		1,224,404	7,197,813
Effects of exchange rate changes on cash		24,825	72,875
CASH AT THE END OF THE PERIOD	6	6,727,424	1,224,404

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

Notes to the financial statements

Note 1. Significant accounting policies

Introduction

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

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

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

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

Operations and principal activities

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

Currency

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

Authorisation of financial report

The financial report was authorised for issue on 11 September 2017.

Basis of preparation

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

Compliance with IFRS

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

Historical cost convention

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

Critical accounting estimates

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

Foreign currency transactions

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

Going Concern

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

Because of the nature of the operations, exploration companies, such as Tlou Energy Limited, find it necessary on a regular basis to raise additional cash funds for future exploration activity and meet other necessary corporate expenditure. The company has recently completed a capital raising which is expected to fund ongoing operations and working capital requirements for the next 12 months. Subject to the results of these operations the group may need to raise additional capital to expand and develop the project further. Accordingly, the group is in the process of investigating various options for the raising of additional funds which may include but is not limited to an issue of shares or the sale of exploration assets where increased value has been created through previous exploration activity.

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

The 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 group not be able to continue as a going concern.

Accounting Polices

(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.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

(b) Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Interest

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

Other revenue

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

(c) Investments and other financial assets

Investments and other financial assets are measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted. The fair values of quoted investments are based on current bid prices. For unlisted investments, the consolidated entity establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either: (i) held for trading, where they are acquired for the purpose of selling in the short- term with an intention of making a profit; or (ii) designated as such upon initial recognition, where they are managed on a fair value basis or to eliminate or significantly reduce an accounting mismatch. Except for effective hedging instruments, derivatives are also categorised as fair value through profit or loss. Fair value movements are recognised in profit or loss.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets, principally equity securities that are either designated as available-for-sale or not classified as any other category. After initial recognition, fair value movements are recognised in the available-for-sale reserve in equity. Cumulative gain or loss previously reported in the available-for-sale reserve is recognised in profit or loss when the asset is derecognised or impaired.

Impairment of financial assets

The consolidated entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for financial assets carried at cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for similar financial assets.

Available-for-sale financial assets are considered impaired when there has been a significant or prolonged decline in value below initial cost. Subsequent increments in value are recognised in the available-for-sale reserve.

(d) 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.

(e) 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.

(f) Comparative figures

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

(g) New Accounting Standards and Interpretations

The Consolidated Entity has adopted all new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2016. The Consolidated Entity did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

(h) New Standards and Interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 reporting periods. The Consolidated Entity has decided against early adoption of these standards. The Consolidated Entity's assessment of the impact of these new standards and interpretations is set out below:

AASB 9 Financial Instruments

This standard and its consequential amendments are currently applicable to annual reporting periods beginning on or after 1 January 2018. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. To be classified and measured at amortised cost, assets must satisfy the business model test for managing the financial assets and have certain contractual cash flow characteristics. All other financial instrument assets are to be classified and measured at fair value. This standard allows an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income, with dividends as a return on these investments being recognised in profit or loss. In addition, those equity instruments measured at fair value through other comprehensive income would no longer have to apply any impairment requirements nor would there be any 'recycling' of gains or losses through profit or loss on disposal. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. The Group has not yet made an assessment of the impact of this standard.

AASB 16: Leases

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

The main changes introduced by the new Standard include:

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

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application. The Group has not yet made an assessment of the impact of this standard.

Note 2. Critical accounting judgements, estimates and assumptions

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

Exploration & evaluation assets

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

Deferred Tax assets

The group 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 group estimates its tax liabilities based on the group'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 group has recognised deferred tax assets relating to carried forward tax losses to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same subsidiary against which the unused tax losses can be utilised. However, utilisation of the tax losses also depends on the ability of the entity, which is not part of the tax consolidated group, to satisfy certain tests at the time the losses are recouped. Due to the parent entity acquiring the entity that holds the losses it is expected that the entity will fail to satisfy the continuity of ownership test and therefore has to rely on the same business test. As at 30 June 2017 the group has received advice that the losses are available, however should this change in the future the group may be required to derecognise these losses.

Note 3. Expenses

	Consolidated	
	June 2017	June 2016
Loss before income tax includes the following specific expenses:	$	$
Employee benefits expense		
● Defined contribution superannuation expense	42,408	46,535
● Performance rights	423,499	-
● Other employee benefits expense	575,173	567,274
	1,041,080	613,809
Occupancy costs		
● Rental expense relating to operating leases - minimum lease rentals	47,817	64,601
	47,817	64,601
Other expenses include the following specific items:		
● Travel and accommodation costs	225,735	140,462
● Consultants	277,184	365,460
● Stock exchange, advisory, secretarial fees	355,848	198,707
● Insurance	68,254	70,705
	927,021	775,334

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.

Note 4 Income tax (continued)

	Consolidated	
	June 2017	June 2016
	$	$
Loss before income tax	(3,165,323)	(3,065,583)
Tax at the domestic tax rates applicable to profits in the country concerned	(949,597)	(919,675)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Other non-deductible items	216,360	244,706
Difference in overseas tax rates	(218,335)	329,015
Previously unrecognised tax losses used to reduce deferred tax expense	-	-
Deferred tax asset not recognised	951,572	345,954
Income tax benefit	-	-
Recognised deferred tax assets		
Unused tax losses	7,551,526	5,937,794
	7,551,526	5,937,794
Recognised deferred tax liabilities		
Assessable temporary differences	7,920,879	6,307,147
	7,920,879	6,307,147
Net deferred tax liability recognised	369,353	369,353
Unrecognised temporary differences and tax losses		
Unused tax losses and temporary differences for which no deferred tax asset has been recognised	29,026,473	25,426,397

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 group 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 2017	June 2016
	$	$
Reconciliation of earnings used in calculating basic and diluted loss per share:		
Loss for the year attributable to owners of Tlou Energy Limited	(3,165,323)	(3,065,583)
Loss used in the calculation of the basic and dilutive loss per share	(3,165,323)	(3,065,583)
Weighted average number of ordinary shares used as the denominator		
	Number	Number
Number used in calculating basic and diluted loss per share	245,694,059	197,910,139

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.

Note 6. Cash and Cash Equivalents

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

	Consolidated	
	June 2017	June 2016
	$	$
Cash at bank	6,727,424	1,224,404
	6,727,424	1,224,404

Note 7. Property, Plant and Equipment

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

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

Plant and equipment 3-7 years

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

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

	Consolidated	
	June 2017	June 2016
	$	$
Plant and equipment at cost	1,946,392	1,782,697
Accumulated depreciation	(1,625,653)	(1,338,339)
	320,739	444,358

Movements in Carrying Amounts

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

Balance at the beginning of year	444,358	724,334
Additions	100,664	24,140
Disposals	(788)	(1,069)
Depreciation	(240,961)	(260,564)
Foreign exchange movements	17,466	(42,483)
Carrying amount at the end of year	320,739	444,358

Note 8. Exploration and Evaluation Assets

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. Such expenditures comprise net direct costs and an appropriate portion of related overhead expenditure but do not include overheads or administration expenditure not having a specific nexus with a particular area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and active or significant operations in relation to the area are continuing.

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

	Consolidated	
	June 2017	June 2016
	$	$
Exploration and evaluation assets	49,328,038	46,183,722
	49,328,038	46,183,722
Movements in exploration and evaluation assets		
Balance at the beginning of period	46,183,722	43,559,315
Exploration and evaluation expenditure during the year	1,848,143	4,572,815
Foreign currency translation	1,296,173	(1,948,408)
Balance at the end of period	49,328,038	46,183,722

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.

As at the date of this report, the current terms of the Mamba Prospecting Licences have expired. However, Tlou has applied to extend the term of these Exploration Licences, and they continue in force until a determination is made regarding the application to extend their terms. Accordingly, while Tlou has applied to renew the Mamba Prospecting Licences, there is no certainty that the terms of the licences will be extended.

There is a risk that one of 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 Company is not aware of any reasons why the licences will not be renewed.

Note 9. Other non-current assets

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

	Consolidated	
	June 2017	June 2016
	$	$
Inventory and well consumables	694,402	946,675
	694,402	946,675

Note 10. Trade and Other Payables

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

	Consolidated	
	June 2017	June 2016
	$	$
Current		
Trade payables	131,161	151,133
Accruals	278,552	145,793
Other payables	21,319	10,030
	431,032	306,956

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

Note 11. Provisions

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

Restoration

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

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

Rehabilitation

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

Employee benefits

Wages and salaries and annual leave

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

Note 11 Provisions (continued)

Long service leave

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

Severance pay

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

	Consolidated	
	June 2017	June 2016
Current	$	$
Employee benefits	42,322	49,136
Employee benefits - Botswana severance	123,871	111,738
	166,193	160,874
Non-current		
Rehabilitation	94,000	94,000
	94,000	94,000

Employee benefits – Botswana Severance

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

Note 12. Contributed equity

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

			Consolidated	
	June 2017	June 2016	June 2017	June 2016
	Shares	Shares	$	$
Opening balance	205,619,292	187,156,319	73,931,569	71,606,519
Issue of ordinary shares during the year*	98,423,556	18,462,973	9,684,461	2,584,816
Share issue costs	-	-	(235,846)	(259,766)
Ordinary shares - fully paid	304,042,848	205,619,292	83,380,184	73,931,569

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

Issue Date	No. of Shares	Issue Price AUD
07-Sep-16	31,578,947	$0.095
07-Apr-17	51,788,334	$0.10
27-Apr-17	8,276,275	$0.10
02-May-17	6,780,000	$0.10

Note 12 Contributed equity (continued)

Ordinary shares

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

Options and performance rights

At 30 June 2017, the following options for ordinary shares in Tlou Energy Limited and performance rights were on issue:

Options

Number		Exercise	Expiry
2017	2016	Price	Date
1,500,000	1,500,000	$0.14	29/11/2017
500,000	500,000	$0.14	14/01/2018
2,000,000	2,000,000		

Performance rights:

Vesting Date	Exercise Price	01/07/2016	Issued	Exercised	Expired	30/06/2017
31 January 2017	$0.21	-	2,275,000	-	-	2,275,000
31 January 2017	$0.28	-	2,275,000	-	-	2,275,000
		-	4,550,000	-	-	4,550,000

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 group may seek to issue new shares. Consistent with other exploration companies, the group and the parent entity monitor capital on the basis of forecast exploration and development expenditure required to reach a stage which permits a reasonable assessment of the existence or otherwise of an economically recoverable reserve.

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

The group is not subject to externally imposed capital requirements.

Note 13. Reserves

Foreign Currency Translation Reserve

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

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

Foreign operations

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

Share Based Payments Reserve

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

Note 14. Share-based payments

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

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

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

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

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

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

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

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

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.

The 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 issued during the year are linked to the share price performance of the Company, ensuring alignment with the interests of the Company's shareholders. The Performance Rights have been split into two equal Tranches. For the Performance Rights to vest and, therefore, become exercisable by a participant, certain performance conditions will be 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.

Tranche	Performance Condition
Tranche 1	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.
Tranche 2	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.

Notes:

- The date of shareholder approval was 10 November 2016
- The share price on 10 November 2016 was AUD $0.14
- For Tranche 1 to vest the share price needs to be AUD $0.21 per share or greater for a period of 10 consecutive trading days
- For Tranche 2 to vest the share price needs to be AUD $0.28 or greater for a period of 10 consecutive trading days

The expense recognised in the consolidated statement of comprehensive income in relation to share based payments amounts to $423,499 (2016: $16,900). The amount assessed as fair value at the grant date is allocated equally over the period from grant date to vesting date. The fair value at grant date is determined using generally accepted valuation techniques that take into account exercise price, the term of the option or performance rights, the impact of dilution, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield and the risk free rate for the term of the option/performance rights and an appropriate probability weighting to factor the likelihood of the satisfaction of non-vesting conditions.

Inputs used to value the options on issue are as follows:

Grant date	30/11/15	14/01/16
Dividend yield (%)	-	-
Expected volatility (%)	68	68
Risk-free interest rate (%)	1.94	1.94
Expected life of options (years)	2	2
Weighted average share price ($)	$0.14	$0.14
Model used	Black Scholes	Black Scholes

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

	Tranche 1	Tranche 2
Grant date	10/11/16	10/11/16
Expected volatility (%)	100	100
Risk-free interest rate (%)	2.20	2.20
Expected life of (years)	7	7
Weighted average share price ($)	$0.21	$0.28
Model used	Trinomial	Trinomial

The following table shows the number, movements and weighted average exercise price of employee share options outstanding for the 2017 year

Grant Date	*Expiry date*	*Exercise price*	Opening Balance July 2016	Exercised During the Year	Granted During the Year	Expired During the year	Closing Balance June 2017	Vested & Exercisable
30/11/15	29/11/17	$0.14	1,500,000	-	-	-	1,500,000	1,500,000
14/01/16	14/01/18	$0.14	500,000	-	-	-	500,000	500,000
Total			2,000,000	-	-	-	2,000,000	2,000,000
Weighted average exercise price			$0.14	-	-	-	$0.14	$0.14

The weighted average remaining contractual life of share options outstanding at the end of the year was 0.4 years.

The following table shows the number, movements and weighted average exercise price of employee share options outstanding for the 2016 year:

Grant Date	*Expiry date*	*Exercise price*	Opening Balance July 2015	Exercised During the Year	Granted During the Year	Expired During the year	Closing Balance June 2016	Vested & Exercisable
01/07/12	30/04/16	$0.625	10,175,000	-	-	(10,175,000)	-	-
01/04/14	30/04/16	$0.625	400,000	-	-	(400,000)	-	-
30/11/15	29/11/17	$0.14	-	-	1,500,000	-	1,500,000	1,500,000
14/01/16	14/01/18	$0.14	-	-	500,000	-	500,000	500,000
Total			10,575,000	-	2,000,000	(10,575,000)	2,000,000	2,000,000
Weighted average exercise price			$0.63	-	$0.14	$0.63	$0.14	$0.14

The weighted average remaining contractual life of share options outstanding at the end of the year was 1.4 years.

The following table shows the number, movements and exercise price of performance rights for the 2017 year. There were no performance rights in the prior year.

		Movements				
Vesting Date	Exercise Price	01/07/2016	Issued	Exercised	Expired	30/06/2017
31 January 2017	$0.21	-	2,275,000	-	-	2,275,000
31 January 2017	$0.28	-	2,275,000	-	-	2,275,000
		-	4,550,000	-	-	4,550,000

Expenses arising from share-based payment transactions

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

	Consolidated	
	June 2017	June 2016
	$	$
Performance rights	423,499	-
Options expensed	-	16,900
Options capitalised	-	80,101
	423,499	97,001

Note 15. Commitments

Leases

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

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

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

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

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

Operating lease commitments

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

	Consolidated	
	June 2017	June 2016
Payable - minimum lease payments	$	$
● not later than 12 months	5,250	5,250
● between 12 months and 5 years	-	-
	5,250	5,250

Exploration expenditure:

In order to maintain an interest in the exploration tenements in which it is involved, the group 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 group. These conditions can include proposed expenditure commitments. The timing and amount of exploration expenditure obligations of the group may vary significantly from the forecast based on the results of the work performed, which will determine the prospectivity of the relevant area of interest. The group's proposed expenditure obligations, which are not provided for in the financial statements are as follows:

	Consolidated	
	June 2017	June 2016
Minimum expenditure requirements	$	$
● not later than 12 months	1,637,420	25,668,594
● between 12 months and 5 years	2,637,363	-
	4,274,783	25,668,594

The minimum expenditure requirements at 30 June 2017 do not include commitment in relation to Prospecting licence PL002/2004. In August 2017, post year end, this Prospecting Licence was converted to a mining licence with no minimum expenditure requirement outlined in the mining licence, hence the reason for excluding the figure in the above amounts.

Five of the Group's prospecting licences referred to as the Mamba permits expired at 30 June 2017. Renewal applications were submitted in March 2017, however confirmation of whether renewal was successful or not has not been received at the date of this report. The issuing authority have confirmed that they will extend the licences to 30 September 2017, by which time they expect to have the renewal applications assessed. There was no additional commitment amount outlined in the extension document so the above figures do not include any expenditure relating to the Mamba permits.

Note 16. Financial instruments

Overview

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

This note presents information about the group'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 group holds the following financial instruments:

	Consolidated	
	June 2017	June 2016
Financial Assets	$	$
Cash and cash equivalents	6,727,424	1,224,404
Trade and other receivables	100,674	290,431
	6,828,098	1,514,835
Financial Liabilities		
Trade and other payables	431,032	306,956
	431,032	306,956

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.

Financial risk management objectives (continued)

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 group's financial risk management policy is to support the delivery of the group's financial targets whilst protecting future financial security.

Given the nature and size of the business and uncertainty as to the timing and amount of cash inflows and outflows, the group does not enter into derivative transactions to mitigate the financial risks. In addition, the group's policy is that no trading in financial instruments shall be undertaken for the purpose of making speculative gains. As the group'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 group's financial risks as summarised below. These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits.

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

(a) Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at reporting date whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The group 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
	$	$	$	$
Consolidated - 30 June 2017				
Cash and cash equivalents	67,274	(67,274)	67,274	(67,274)
Consolidated - 30 June 2016				
Cash and cash equivalents	12,244	(12,244)	12,244	(12,244)

Interest rate risk on other financial instruments is immaterial.

(b) Liquidity risk

Liquidity risk is the risk that the group 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 group will always have sufficient liquidity to meet its obligations when due.

Ultimate responsibility for liquidity risk management rests with the Board of Directors. The group 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 group held cash of $6,727,424 (2016: $1,224,404).

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

	Within 1 Year	Between 1 & 2 years	Total Contractual Cash Flows	Carrying Amount
Consolidated - 30 June 2017	$	$	$	$
Trade and other payables	431,032	-	431,032	431,032
Consolidated - 30 June 2016				
Trade and other payables	306,956	-	306,956	306,956

(c) Foreign exchange risk

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

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

The group currently does not engage in any hedging or derivative transactions to manage foreign currency risk. The group's policy is to generally convert its local currency to Pula, Rand or US dollars at the time of transaction. The group, 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 group. This practice is expected to be the exception, rather than the normal practice.

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

	2017 USD	2017 Pula	2017 SA Rand	2016 USD	2016 Pula	2016 SA Rand
	$	$	$	$	$	$
Financial Assets						
Cash and cash equivalents	20,603	105,567	36,377	21,279	100,871	8,976
Trade and other receivables	-	78,337	-	-	28,313	-
Financial Liabilities						
Trade and other payables	-	(112,508)	-	-	(154,024)	-
Net Financial Instruments	20,603	71,396	36,377	21,279	(24,840)	8,976

Foreign currency rate sensitivity

Based on financial instruments held at 30 June 2017, had the Australian dollar strengthened/weakened by 10% the group's profit or loss and equity would be impacted as follows:

	Profit or loss		Equity	
	10% Increase	10% Decrease	10% Increase	10% Decrease
2017	$	$	$	$
Dollar (US)	(2,060)	2,060	(2,060)	2,060
Pula (Botswana)	(7,140)	7,140	(7,140)	7,140
Rand (South Africa)	(3,638)	3,638	(3,638)	3,638
2016				
Dollar (US)	(2,182)	2,182	(2,182)	2,182
Pula (Botswana)	2,484	(2,484)	2,484	(2,484)
Rand (South Africa)	(898)	898	(898)	898

(d) Credit risk

Credit risk is the risk of financial loss to the group 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 group 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 group trades with recognised, creditworthy third parties. The receivable balances are monitored on an ongoing basis. The group's exposure to bad debts is not significant. At 30 June 2017, none (2016: nil) of the group's receivables were past due.

Cash and cash equivalents

The group 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 mostly used and non AAA banks are utilised where commercially attractive returns are available.

Note 17. Key Management Personnel

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

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:

	Consolidated	
	June 2017	June 2016
	$	$
Short-term employee benefits	653,675	885,565
Post-employment benefits	54,796	55,012
Other long-term benefits	23,730	28,063
	732,201	968,640
Share based payments	342,375	-
	1,074,576	968,640

Note 18. Auditors' Remuneration

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

	Consolidated	
	June 2017	June 2016
	$	$
Audit services		
Auditing or reviewing the financial statements - BDO Australia	55,000	48,500
Auditing or reviewing the financial statements - BDO Botswana	25,214	25,088
	80,214	73,588
Non-audit services - BDO Australia		
Tax consulting and compliance services	10,172	16,132
AIM listing	-	36,983
	10,172	53,115
Total	90,386	126,703

Note 19. Contingent Liabilities

The Directors are not aware of any contingent liabilities (2016: nil).

Note 20. Related Party Transactions

Parent entity

The legal parent entity is Tlou Energy Limited.

Subsidiaries

Interests in subsidiaries are set out in note 23.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2017	2016
	$	$
Payment for goods and services:		
Office rent paid to The Gilby McKay Alice Street Partnership, a director-related entity of Anthony Gilby.	21,000	46,500

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

Current payables:		
Trade payables to The Gilby McKay Alice Street Partnership, a director-related entity of Anthony Gilby	1,925	1,925

Loans to/from related parties

There were no loans to or from related parties at the reporting date or during the year.

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.

Note 21. Segment Reporting

Reportable Segments

Operating segments are identified on the basis of internal reports that are regularly reviewed by the executive team in order to allocate resources to the segment and assess its performance.

The Company currently operates in one segment, being the exploration, evaluation and development of Coalbed Methane resources in Southern Africa.

Segment revenue

As at 30 June 2017 no revenue has been derived from its operations (2016: nil).

Segment assets

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

	June 2017	June 2016
	$	$
Botswana	50,341,366	47,574,122
Australia	1,813	633
	50,343,179	47,574,755

Note 22. Cash Flow Information

	Consolidated	
	June 2017	June 2016
	$	$
Reconciliation of cash flow from operations		
Loss for the period	(3,165,323)	(3,065,583)
Depreciation	240,961	260,564
Share-based payments	423,499	97,001
Salaries and fees paid in equity	-	(97,000)
Loss on disposal	788	-
Net exchange differences	37,181	247,007
Changes in operating assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
Decrease/(increase) in trade and other receivables	189,757	(68,487)
Decrease/(increase) in other assets	-	431,342
Increase/(decrease) in trade payables and accruals	(112,369)	(165,192)
Decrease/(increase) in employee benefits	35,318	170,322
Increase/(decrease) in provisions	5,319	(113,220)
	(2,344,869)	(2,303,246)

Note 23. Subsidiaries

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

Name of entity	Country of incorporation	Class of shares	Equity holding %	
			June 2017	June 2016
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
Aguia Energy Limitada	Mozambique	Ordinary	-	100
Mica Investments (Barbados) Inc	Barbados	Ordinary	-	100
SK Holdings (Barbados) Inc	Barbados	Ordinary	-	100
Tlou South Karoo (Proprietary) Limited	Botswana	Ordinary	-	100
Apex Resources No. 2 Inc	Barbados	Ordinary	-	100
Apex Resources Holdings No. 2 Corp	British Virgin Islands	Ordinary	-	100
Tembo Holdings Inc	British Virgin Islands	Ordinary	-	100

Note 24. Subsequent Events

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 25. Parent entity disclosures

Commitments, Contingencies and Guarantees of the Parent Entity

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

Directors' declaration

In the Directors' opinion:

- the attached financial statements and notes thereto comply with the *Corporations Act 2001*, the Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2017 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 2017 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
11 September 2017

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 Corporate Governance Principles and Recommendations with 2014 amendments (3nd Edition) ("3rd Edition Recommendations or ASX Recommendations") established by the ASX Corporate Governance Council (the "Council").

This statement outlines the key aspects of Tlou Energy's governance framework and practices. The charters, policies and procedures are reviewed regularly and updated to comply with the law and best practice. This statement contains specific information and discloses the extent to which the Company intends to or is able to follow the 3rd Edition Recommendations. The charters and policies of the Company can be viewed on Tlou Energy's website at 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 2017 its practices are largely consistent with those of the 3rd 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 11th of September 2017 and has been approved by the Board of Directors.

Role of the Board

The Board is responsible for ensuring that the Company is managed effectively. 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. An example of this has been the appointment, since the end of the reporting period of two independent non-executive directors. The Board has adopted a Charter which sets out the responsibilities of the Board and its structure and governance as well as the matters expressly reserved to the Board and those delegated to management. A copy of the Charter is available on the Company's website.

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

(ASX Recommendation 1.1)

The Board of Directors

The Board is currently comprised of six (6) Directors. Details of the Directors who held office during the year under review and those that have been appointed subsequent are namely:

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

The skills, experience and expertise relevant to the position of each Director are set out in the Directors' Report of this Annual Report. Prior to the appointment of a person, or putting forward to shareholders a candidate for election, as a director, the Company undertakes checks which it believes are appropriate to verify a director's character, experience, educations, criminal record and bankruptcy history. The Company will ensure that all material information in its possession relevant to a shareholders decision to elect or re-elect a director is provided to 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 no formal agreements with the non-executive directors other than their Deeds of Access and Indemnity. Given the size and operations of the Company at this stage and the experience and skills that the non-executive directors possess the Board does not believe that there would be any benefit to the Company in doing so.

(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.

(ASX Recommendation 1.4)

Diversity Policy

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

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

(ASX Recommendation 1.5)

Improvement in Board processes and effectiveness is a continuing objective and the purpose of the annual Board evaluation is to identify ways to improve performance. The Board has appointed the Chairman as the person responsible for conducting an annual review of the Board's performance.

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

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

During the reporting period, a review of the Boards performance was carried out by the Chairman.
(ASX Recommendation 1.6)

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

An executive management review has been carried out for the current reporting period.
(ASX Recommendation 1.7)

Structure of Board to Add Value

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

The composition and size of the Board is determined so as to provide the Company with a broad base of industry, business, technical, administrative, financial and corporate skills and experience considered necessary to achieve the strategic objectives of the Company taking into consideration the size of the Company and the nature of its current operations. During the current reporting period, the make-up of the Board has been bolstered by the appointment of two independent non-executive Directors

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 3rd Edition Recommendations. The Board is of the view that the existence of one or more of the relationships in the definition will necessarily result in the relevant Director not being classified as independent, particularly given the criteria outlined above, and that the Company will seek to implement additional safeguards to ensure independence. An overall review of these considerations is conducted by the Board to determine whether individual Directors are independent.

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

ASX Recommendation 2.4 requires 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 the current Directors, excluding Martin McIver 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) if applying the independence criteria in the Principles is considered to be independent.

Martin McIver has been previously treated not as an independent Director as formally he was employed by a Company that was a substantial shareholder and which was a related party of the former Chairman. Mr McIver left the employ of that entity in January 2014 a period of more than three years. Given that effluxion of time, having regard to the materiality of the role and the fact that Mr McIver meets all of the other criteria to establish independence, the Board has (in the absence of Mr McIver) determined that Mr McIver is independent.

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

Notwithstanding that these 3rd Edition Recommendations in respect to the composition of the Board are not strictly followed (majority of the Board to be independent) the Company believes that some significant progress to achieving this objective has been made this year and given its history and the formation of the Board reflects certain founding members, it is not practical at this stage to have a majority of independent Directors. Therefore, the Board takes the view that the interests of the Shareholders are best served with the Board's present composition and has resolved that the situation will continue to be monitored as the operations of the Company evolve and appoint appropriately qualified independent Directors as the opportunities and necessity arise.

(ASX Recommendation 2.3)

The Board has established a Nomination & Remuneration Committee which regularly reviews Board membership. This includes considering what other skills that might be necessary for the Company to reach its strategic objectives. Due to the size of the Company the composition of the Committee does not comply with the ASX Recommendation 2.1. However, it is intended that now that the Board has acquired two more independent non-executive directors before the Committee meets again its membership will be reviewed and updated by the Board. A copy of the Nomination & Remuneration Committee Charter is located on the website.

The Committee's members, the number of times that they have met throughout the reporting period and the member's attendance at those meetings is recorded in the section of the 2017 Annual Report headed "Directors Report".

(ASX Recommendation 2.1)

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

(ASX Recommendation 2.2)

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

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

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

(ASX Recommendation 2.6)

Board Charter

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

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 of this entitlement during the year under review.

Committees

Audit Committee, Risk Committee and Nomination & Remuneration 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 Nomination & Remuneration 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 an Audit Committee. The Audit Committee is currently made up of the following members:

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

Act Ethically and Responsibly

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

(ASX Recommendation 3.1)

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

All Directors and Senior Executives will:

1. Actively promote the highest standards of ethics and integrity in carrying out their duties for the Company;

2. Disclose any actual or perceived conflicts of interest of a direct or indirect nature of which they become aware and which they believe could compromise in any way the reputation or performance of the Company;

3. Respect confidentiality of all information of a confidential nature which is acquired in the course of the Company's business and not disclose or make improper use of such confidential information to any person unless specific authorisation is given for disclosure or disclosure is legally mandated;

4. Deal with the Company's suppliers, contractors, competitors and each other with the highest level of honesty, fairness and integrity and to observe the rule and spirit of the legal and regulatory environment in which the Company operates;

5. Report any breach of this code of conduct or other inappropriate or unethical conduct to the appropriate authority within the Group; and

6. This Code of Conduct is in addition to the Code of Conduct for all employees which has been adopted by the Board of the Company.

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

(ASX Recommendation 3.1)

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 the Company and assist in maintaining market confidence in the integrity of dealings in Tlou Energy securities. The Policy is posted on the Company's website to ensure that there is public confidence and understanding of the Company's policies governing trading by "potential insiders".

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

Safeguard Integrity in Financial Reporting

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

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

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

Structure of the Audit Committee and Charter

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

During the reporting period, the Committee appointed by the Board did not comply with this recommendation as it comprised only one non-executive Director and two executive directors of which only one is considered independent in accordance with the definition of independence prescribed by the ASX Corporate Governance Independence Criteria. Subsequent to the report period the Company appointed an additional non-executive directors to the Committee, with that director assuming the role as chair of the Committee.

Colm Cloonan and Anthony Gilby are the members of the Committee who is not currently a non-executive director. At the time of his original appointment to the Committee Mr. Gilby was a non-executive director but has since been appointed the Managing Director.

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

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

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

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

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

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

The role of the Audit Committee is to: -

(a) monitor the integrity of the financial statements of the Company, by reviewing significant financial reporting judgements;

(b) review the effectiveness of the Company's internal financial control system and, unless expressly addressed by a separate Risk Committee or by the Board itself, risk management systems;

(c) monitor and review the effectiveness of the Company's internal audit function;

(d) monitor and review the external audit function including matters concerning appointment and remuneration, independence and non-audit services;

(e) perform such other functions as assigned by law, the Company's constitution, or the Board;

(f) approve the corporate governance section of the Company's Annual Report relating to the Committee and its responsibilities; *and*

(g) review compliance with legal and regulatory requirements.

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

As a matter of practice the Chief Executive Officer and the Chief Financial Officer are required to make declarations in accordance with section 295A of the Corporations Act that the Company's financial reports present a true an 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 Auditor's lead engagement partner attended the Company's 2016 Annual General Meeting. There were no questions from shareholders about the conduct of the audit and the preparation and content of the auditor's report for year ended 30 June 2016.

(ASX Recommendation 4.3)

Make Timely and Balanced Disclosure

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

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

Methods of communication currently employed include:

- Shareholder Updates
- Quarterly Reports
- Half Yearly Reports

- Annual Reports; and
- Face to face Shareholder presentations

Continuous Disclosure

The Company is a "disclosing entity" pursuant to section 111AR of the Corporations Act and, as such, complies with the continuous disclosure requirements of Chapter 3 of the ASX Listing Rules and section 674 of the Corporations Act. Subject to the exceptions contained in the ASX Listing Rules, the Company is required to disclose to ASX any information concerning the Company which is not generally available and which a reasonable person would expect to have a material effect on the price or value of the Shares.

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

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

The Company Secretary has primary responsibility for discharging the Company's continuous disclosure obligations to the ASX. All officers and employees must immediately notify the Company Secretary of any material information which may need to be disclosed under Listing Rule 3.1-3.1B. Where uncertainty arises as to the meeting of continuous disclosure obligations, the Company Secretary may seek external legal advice.

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 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. Effective participation by Shareholders is encouraged at general meetings and procedures have been designed to facilitate this including online voting and the ability of stakeholders to subscribe to receive copies of announcements and reports that are released by the Company.

(ASX Recommendation 5.1)

Respect the Rights of Security Holders

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

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

The policy regarding shareholder communication and engagement sets out the processes the Company has in place to facilitate and encourage the participation of shareholders and other investors at meetings and to engage with management. These include encouraging shareholders to attend the AGM and allowing them to vote on line 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.
(ASX Recommendation 6.4)

Recognition and Management of Risk

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

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

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

The members of the Risk Committee are appointed by the Board, two of whom 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 a 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.

(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.

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 Nomination & Remuneration 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 Nomination & Remuneration Committee and have adopted a Nomination & Remuneration Charter. As a result of the recent appointments to the Board the Company expects that the Nomination & Remuneration Committee will in the future 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 Nomination & 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 Nomination & Remuneration Committee and their attendances at the meetings of the Committee 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 Nomination & Remuneration Committee Charter and in the Remuneration Report contained in the 2017 Annual Report.

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

(ASX Recommendation 8.2)

The Company has an equity based remuneration scheme, although no shares have been issued through the same since the listing of the Company. The Company's Policy for Trading in the Company's Securities does not specifically prohibit Directors entering into transactions or arrangement s which would limit the economic risk of unvested entitlements.

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

(ASX Recommendation 8.3)

Additional Information

1. Shareholder Information

The shareholder information set out below was applicable as at 24 August 2017 and relates to shares held on the ASX. Depositary Interests on London's AIM market are included as one holder 'Computershare Clearing Pty Ltd'.

2. Ordinary Share Capital

304,042,848 fully paid ordinary shares.

3. Number of Equity Holders

Ordinary Share Capital held by 462 individual 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	12	2,436	2.6
1,001	-	5,000	34	125,485	7.4
5,001	-	10,000	47	368,947	10.2
10,001	-	50,000	146	4,006,586	31.6
50,001	-	100,000	59	4,539,491	12.8
100,001	-	maximum	164	294,999,903	35.5
			462	304,042,848	100

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
Investor Group - Anthony Gilby	17,946,487	5.9
Investor Group - Nathan Mitchell	16,680,814	5.5

7. The 20 Largest Holders of Ordinary Shares

	Ordinary Fully Paid Shares Held	% of Ordinary Capital
Computershare Clearing Pty Ltd <CCNL DI A/C>	11,136,364	3.66
Mitchell Group Holdings Pty Ltd	10,854,240	3.57
Gilby Super Pty Ltd <Gilby Superannuation Fund>	10,513,416	3.46
Citicorp Nominees Pty Limited	8,163,614	2.69
HSBC Custody Nominees (Australia) Limited	8,033,310	2.64
J P Morgan Nominees Australia Limited	7,115,000	2.34
IK Botswana Investments Pty Ltd	4,994,401	1.64
Mr Christopher John Blamey & Mrs Anne Margaret Blamey <ACB Super Fund A/C>	4,775,105	1.57
Gilby Resources Pty Ltd <Gilby Investment A/C>	4,674,809	1.54
Dynamic Supplies Investments Pty Ltd	3,300,000	1.09
Liath Pty Ltd <The Liath A/C>	2,913,650	0.96
Mitchell Family Investments (Qld) Pty Ltd <Mitchell Family Inv A/C>	2,850,909	0.94
BNP Paribas Nominees Pty Ltd <Jarvis A/C Non Treaty Drp>	2,513,875	0.83
Heath Self Managed Superannuation Pty Ltd <Heath Super Fund A/C>	2,500,000	0.82
Nathan Mitchell <Mitchell Family Super Fund>	2,000,000	0.66
Portland Australia Pty Ltd	1,986,125	0.65
Heath Self Managed S/F Pty Ltd <Heath Self Managed S/F A/C>	1,897,042	0.62
Rag Superannuation Pty Ltd	1,750,476	0.58
David Royds	1,695,330	0.56
Anthony Gilby	235,041,859	77.31
Total	69,000,989	22.69
Balance of register	304,042,848	100.00
Grand total		

8. Restricted Securities

There were no restricted securities issued during the reporting period and there are currently none on issue.

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

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

PL	Region	interest % *	Operator
1/2004	Lesedi Project (Botswana)	100%	Tlou Energy Botswana Pty Ltd
3/2004	Lesedi Project (Botswana)	100%	Tlou Energy Botswana Pty Ltd
35/2000	Lesedi Project (Botswana)	100%	Tlou Energy Botswana Pty Ltd
37/2000	Lesedi Project (Botswana)	100%	Tlou Energy Botswana Pty Ltd
237/2014	Mamba Project (Botswana)	100%	Tlou Energy Botswana Pty Ltd
238/2014	Mamba Project (Botswana)	100%	Tlou Energy Botswana Pty Ltd
239/2014	Mamba Project (Botswana)	100%	Tlou Energy Botswana Pty Ltd
240/2014	Mamba Project (Botswana)	100%	Tlou Energy Botswana Pty Ltd
241/2014	Mamba Project (Botswana)	100%	Tlou Energy Botswana Pty Ltd
Mining Licence	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.

PART E: SHARE CAPITAL

24. SHARE CAPITAL

24.1. All of the issued shares in Tlou Energy are of the same class and rank pari passu in every respect.

24.2. Material issues or offers of securities of Tlou and its Subsidiaries during the preceding three years.

Event	Details
2013 Placement and Non-Renounceable Entitlement Offer (on the basis of 1 new Share for every 4 Shares held) Allotment date: 27/12/2013	Offer Price per Share A$0.30 Shares issued under the Offer 44,751,088 Total issued Shares on completion of the Offer 147,754,846
2015 Non-Renounceable Entitlement Offer (on the basis of 4 new Shares for every 15 Shares held) Allotment date: 29/06/15	Offer Price per Share A$0.14 Shares issued under the Offer 39,401,473 Total issued Shares on completion of the Offer 187,156,319
2015 Placement Allotment date: 30/11/2015	Offer Price per Share A$0.14 Shares issued under the Offer 18,462,973 Total issued Shares on completion of the Offer 205,619,292
2016 Placement Allotment date: 07/09/2016	Offer Price per Share A$0.095 Shares issued under the Offer 31,578,947 Total issued Shares on completion of the Offer 237,198,239
2017 Placement Allotment date: 07/04/2017	Offer Price per Share A$0.10 Shares issued under the Offer 51,788,334 Total issued Shares on completion of the Offer 288,986,573
2017 Additional Placement and Share Purchase Plan Allotment date: 27/04/2017	Offer Price per Share A$0.10 Shares issued under the Offer 15,056,275 Total issued Shares on completion of the Offer 304,042,848

24.2.1. Other than the material issues provided above there have been no issues or offers of Tlou nor its subsidiaries in the three years preceding the publication of this Pre-listing Statement, other than as disclosed on ASX and AIM.

24.2.2. The Company has no authorised capital, only issued capital. The Directors are entitled to issue shares equal to 15% of the issued capital every 12 months without the approval of the Shareholders under ASX Listing Rule 7.1.

24.3. **Summary of any consolidations or sub-divisions**

There have been no consolidations or sub-divisions of Tlou nor its subsidiaries in the three years preceding the publication of this Pre-listing Statement.

24.4. **Voting rights**

In accordance with the Constitution, at any general meeting, every shareholder present in person or by authorised representative or proxy shall have one vote on a show of hands and on a poll, every member present in person, by authorised representative or by proxy shall have one vote for every share held.

24.5. **Options or preferential rights in respect of shares**

There will be no contract or arrangement, either actual or proposed, whereby any option or preferential right of any kind has been given to any person to subscribe to shares of the Company. Further, no deferred shares have been awarded to founders of the Company or management.

24.6. **Offers to the public**

No offer has been made to the public for the subscription or the sale of shares during any period preceding the date of the issue of this Pre-listing Statement.

24.7. **Shares held by advisors and promoters**

None of the advisors set out in this Pre-listing Statement, nor any of the promoters, save as disclosed elsewhere in the Pre-listing Statement, hold any shares or have agreed to acquire any shares, as at the date of this Pre-listing Statement.

25. PRIVATE PLACING

The investors have committed in terms of the Placement Agreement to subscribe for or purchase as the case may be Shares. An extract of the Placement Agreement appears in Annexure D. Copies of the Placement Agreements are available for inspection at the registered office of the Company and the Sponsoring Broker.

26. LOCK-IN AGREEMENT

The current promoters pre-listing have agreed in writing to a “lock-up” effective from the Listing date. In terms of this arrangement these Promoters commit not to sell any of their remaining Shares for two years from the Listing date. A copy of the agreement is available for inspection at the offices of the Legal Advisors.

27. INFORMATION ON SHAREHOLDING

27.1. **Details of the Controlling shareholder**

Preceding the last three years, the following has been controlling the issue and authorised share capital;

27.2. **Change of controlling shareholders**

There has not been any change of in the controlling shareholders as a result of the Placing.

27.3. **Major Shareholders**

Other than Anthony Gilby (Managing Director) with a beneficial holding of 17,946,487 shares (5.9%) and Nathan Mitchell with a beneficial holding of 16,680,814 shares (5.5%), there are no shareholders who are beneficially interested in 5% or more of any class of the Company's capital.

28. ISSUED ORDINARY SHARES

28.1. Subject to the provisions of the Companies Act, the Constitution of Tlou Energy and the BSE Listings Requirements, to the extent applicable, where the Company in a general meeting has granted a general authority to the directors, the directors may in their discretion allot and issue shares to such persons at such times and on such terms and conditions and for such consideration, as the directors may think fit.

29. ADEQUACY OF ISSUED CAPITAL

In the opinion of the Directors the issued capital of the Company is adequate for the purposes of conducting the Company's business.

PART F: OTHER INFORMATION

30. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business): (i) are or may be material and have been entered into by members of the Group within two years immediately preceding the date of this document; or (ii) have been entered into by members of the Group at any time before the date of this document where those contracts contain provisions under which the Group has an obligation or entitlement which is or may be material to the Group as at the date of this document.

30.1. Farm-In Agreement

On 2 August 2007, Kalahari, Sekaname (a subsidiary of Kalahari) and Sable Energy, which subsequently became a subsidiary of Tlou, entered into an Amended and Restated Licence Farm-in Agreement in relation to the Lesedi Licences. Under the terms of the Farm-In Agreement, Sekaname transferred the Lesedi Licences to a newly incorporated company (now called Tlou Resources) and Sable Energy contributed US$4.25m to Tlou Resources as equity, such equity to be held in escrow.

Sable Energy had the right to earn the release from escrow of up to 100% of the equity of Tlou Resources by completing various farm-in obligations in relation to the Lesedi Licences. 51% of the shares would be released upon Sable Energy incurring US$6m of expenditure; a further 24% of the shares would be released upon Sable Energy incurring a further US$6m of expenditure; a further 15% of the shares would be released upon Sable Energy incurring a further US$6m of expenditure; and the final 10% of the shares would be released upon the grant of a mining licence in respect of all or part of the land subject to the Lesedi Licences. If Sable Energy failed to meet any of these obligations the relevant shares would be released to Sekaname and the parties would fund any further exploration, development and operating expenses proportionately. Tlou Resources must apply for the mining licence no later than 90 days before the expiry of the Lesedi Licence which has the latest expiry date (subject to any renewal or extension). Sekaname had certain rights to acquire the Lesedi Licences for US$1 if Sable Energy did not met certain minimum spend commitments on particular Lesedi Licences. Sable Energy can elect not to proceed with further exploration or development of any particular land subject to a Lesedi Licence and Sekaname may then elect to purchase that particular Lesedi Licence for a price equal to the exploration and development expenses incurred in respect of it by Sable Energy.

Sekaname has the right to appoint one director to the board of Tlou Resources and Sable Energy may appoint such number of directors as it requires, and Sable Resources has conduct of the day-to-day business, exploration, development and operation of Tlou Resources.

Once Tlou Resources has developed a wellfield for the purposes of commercial exploitation of the gas reserves contained in any land subject to a Lesedi Licence, Sekaname shall be entitled to receive from Tlou Resources a royalty of ZAR2.0/mcf produced at the wellhead or 12.5% of the wellhead selling price of gas produced (less certain transport and logistical costs), whichever is the greater. Sekaname may assign its right to a royalty without restriction.

If, before the fifth anniversary of the later of the date of commencement of commercial production of CBM from the land subject to a Lesedi Licence or the date upon which an independent engineering report confirms that the land subject to a Lesedi Licence contains more than 2.0tcf of CBM reserves, Tlou Resources shall not have closed any financing required to develop and exploit all or part of the CBM reserves in such land exceeding 2.0tcf of CBM, then Kalahari may exploit such excess reserves provided that such exploitation does not interfere with Tlou Resources' operations, and provided that in respect of any production by Kalahari of such excess reserves Tlou Resources shall be paid a royalty of ZAR2.0/mcf produced at the wellhead or 12.5% of the wellhead selling price of gas produced (less certain transport and logistical costs), whichever is the greater.

30.2. Nominated Advisor Agreement

Pursuant to a nominated adviser agreement (the "Nominated Adviser Agreement") dated 27 October 2015 between the Company and Grant Thornton, the Company appointed Grant Thornton to act as nominated adviser to the Company for the purposes of the AIM Rules for Companies with effect from Admission to provide, inter alia, all the services specified from time to time in the AIM Rules for Companies or by any regulatory authority relating to a company trading on AIM as being the responsibility of a Nominated Adviser. The Company has agreed to pay Grant Thornton an annual retainer fee (plus VAT where applicable and expenses), payable quarterly in advance. Grant Thornton may terminate the Nominated Adviser Agreement on 3 days' notice. The Company may terminate the Nominated Adviser Agreement on 3 days' notice to expire no earlier than 24 months from the date of the agreement.

30.3. Broker Agreements

Optiva Securities Broker Agreement: Pursuant to the broker agreement (the "Broker Agreement") dated 13 January 2016 between the Company and Optiva, the Company appointed Optiva to act as joint broker to the Company for the purposes of the AIM Rules for Companies. The Company agreed to pay Optiva an annual fee of £15,000 (payable quarterly in advance) for its services as broker under the Broker Agreement. The Broker Agreement continues for a fixed period of one year from the date of the agreement and, thereafter, is subject to termination on the give of three months' notice.

Shore Capital Broker Agreement: Pursuant to the broker agreement (the "Broker Agreement") dated 2 March 2017 between the Company and Shore Capital, the Company appointed Shore Capital to act as joint broker to the Company for the purposes of the AIM Rules for Companies. The Company agreed to pay Shore Capital an annual fee of £25,000 (payable quarterly in advance) for its services as broker under the Broker Agreement. The Broker Agreement continues for a fixed period of one year from the date of the agreement and, thereafter, is subject to termination on the give of one months' notice.

30.4. Rockface Capital Advisors Ltd Agreement

An engagement letter dated 5 August 2015 between the Company and Rockface Capital Advisors Ltd ("Rockface") under which Rockface has agreed to source investors, lenders and/or royalty purchasers ("Investors") in relation to the Lesedi CBM Project. Rockface was paid a retainer of A$10,000 and will be awarded a success fee of between 2 and 5 per cent. of the gross proceeds raised. Under the terms of the agreement, upon termination Rockface is entitled to a success fee, for a period of two years, if the Company receives a commitment from an Investor sourced by Rockface. The agreement includes indemnities given by the Company in favour of Rockface. The Company terminated the Advisor Agreement with Rockface Capital on 9 September 2016.

30.5. Depository Agreement

On 27 October 2015 the Company entered into a Depositary Agreement with Computershare Investor Services plc (the Depositary) pursuant to which the Company appointed the Depositary as the depositary to constitute and issue from time to time a series of uncertificated depositary interests, each such series representing a particular class of securities issued by the Company with a view to facilitating the indirect holding and settlement of transactions in such securities of each class concerned by participants in CREST. Such uncertificated depositary interests are to be issued by the Depositary upon the terms of the Depositary Deed, details of which are set out in paragraph 6.6 of this section.

Pursuant to the Depositary Agreement, the Company has undertaken to pay the Depositary an initial set up fee and an annual fee for the creation and maintenance of a depositary interest register. The Company has also undertaken to pay to the Depositary additional fees in relation to additional work undertaken by the Depositary including, inter alia, the following work: transfers of depositary interests, custody services and services in connection with the payments of dividends.

Save in the case of a material breach of the Depositary Agreement or an event of default, the Depositary Agreement shall remain in force for one year from AIM Admission and thereafter may be terminated by either party on giving 60 days' notice.

30.6. Depository Deed

Pursuant to a depositary deed dated 27 October 2015, the Depositary will hold itself, or through its nominated Custodian, as bare trustee, the Ordinary Shares issued by the Company and all and any rights and other securities, property and cash attributable to the Ordinary Shares and pertaining to the Depositary Interests for the benefit of the holders of the relevant Depositary Interests.

Holders of the Depositary Interests warrant, among other things, that the securities in the Company transferred or issued to the Custodian on behalf of the Depositary and for the account of the DI Holders are free and clear from all liens, charges, encumbrances or third party interests and that such transfers or issues are not in contravention of the Constitution nor any contractual obligation, law or regulation. The holder of Depositary Interests indemnifies the Depositary for any losses it incurs as a result of breach of this warranty.

The Depositary and the Custodian must pass on to DI holders and exercise, on behalf of DI holders, all rights and entitlements received or to which they are entitled in respect of the Ordinary Shares which are capable of being passed on or exercised. Rights and entitlements to cash distributions, to information to make choices and elections and to attend and vote at meetings shall, subject to the Deed Poll, be passed on to the DI Holders upon being received by the Custodian and in the form in which they are received by the Custodian together with any amendments and additional documentation necessary to effect such passing-on.

The Depositary shall re-allocate any Ordinary Shares or distributions which are allocated to the Custodian and which arise automatically out of any right or entitlement of Ordinary Shares already held by the Custodian to DI Holders pro rata to the Ordinary Shares held for their respective accounts provided that the Depositary shall not be required to account for any fractional entitlements arising from such re-allocation and shall donate the aggregate fractional entitlements to charity.

The Deed Poll contains provisions excluding and limiting the Depositary's liability. For example, the Depositary shall not incur any liability to any holder of Depositary Interests or to any other person for any loss suffered or incurred arising out of or in connection with the transfer and prospective holders of the Depositary Interests and Ordinary Shares should refer to the terms of the Deed Poll and the Articles to ensure compliance with the relevant provisions.

The Depositary may compulsorily withdraw the Depositary Interests (and the DI Holders shall be deemed to have requested their cancellation) if certain events occur. These events include where the Depositary believes that ownership of the Depositary Interests may result in a pecuniary disadvantage to the Depositary or the Custodian or where the Depositary Interests are held by a person in breach of the law. If these events occur, the Depositary shall make such arrangements for the deposited property as it sees fit, including sale of the deposited property and delivery of the net proceeds thereof to the holder of the Depositary Interests in question.

DI Holders are responsible for the payment of any tax, including stamp duty reserve tax on the transfer of their Depositary Interests.

30.7. Valseis Seismic Contract

The Company, and Velseis (Pty) Ltd (Velseis) entered into a Seismic Contract dated 25 May 2017 in relation to the 2017 – Seismic Program at the Lesedi Project area. Under the agreement, Velseis has agreed to provide certain services to the Company in accordance with the agreed work program. The cost of the agreement is approximately $.75million AUD, the term of the agreement is from 25 May 2017 until the completion of the agreed work program. The Company may terminate this Agreement without cause by giving to the Velseis written notice. On receipt of such a notice, the Velseis must immediately cease the provision of the Services and take all appropriate action to mitigate any loss or prevent further costs being incurred with respect to the provision of the Services.

30.8. BSE Listing Agreements

a) Integra Agreement

Engagement – Tlou has engaged Integra Adviory Partners Pty Ltd (Integra), to act as the financial adviser to Tlou on the terms and conditions set out in an Engagement Letter dated 2 May 2017. Under the Engagement Letter, Integra will act as adviser to the Company for the purposes of the Listing and Placing.

Fees – The Company has agreed to pay Integra a success fee of 2% (excluding goods and services tax) **of the amount of equity rasied by the Company in the Placing.**

b) Motswedi Securities Agreement

Engagement – Tlou has engaged Motswedi Securities Pty Ltd (Motswedi), to act as the sponsoring broker to Tlou on the terms and conditions set out in the Engagement Letter dated 15 Febuary 2017. Under the Engagement Letter, Motswedi will act as sponsoring broker to the Company for the purposes of the Listing and Placing.

Fees – The Company has agreed to pay Motswedi a flat fee of BWP 50,000 and a success fee of 1% of the amount of equity rasied from Botswana institutional investors in the Placing.

c) Armstrong's Agreement

Engagement – Tlou has engaged Armstrongs Attorneys, Notaries & Conveyancers (Armstrongs), to act as the legal adviser to Tlou on the terms and conditions set out in the Engagement Letter dated 18 September 2017. Pursuant to the Engagement Letter, Armstrongs will act as legal adviser to the Company for the purposes of the Listing and Placing.

Fees – The Company have agreed to pay Armstrongs a fee of up to BWP 200,000.

d) Corpserve Agreement

Engagement – Tlou has engaged Corpserve Botswana Transfer Secretaries (Corpserve), to act as Transfer Secretaries to Tlou on the terms and conditions set out in the Engagement Letter dated 25 October 2017. Under the Engagement Letter, Corpserve will act as share registry maintenance and distribution service adviser to the Company for the purposes of the Listing and Placing.

Fees – The Company will pay Corpserve a fixed fee of BWP 3,500 per month for 12 months.

e) SRK Consulting Agreement

Engagement – Tlou has engaged SRK Consulting (Australasia) Pty Ltd (SRK Consulting) to provide a Competent Person's Report for the Listing.

Fees – The Company will pay SRK Consulting a fixed fee of A$10,000 (excluding goods and services tax).

f) BDO Agreement

Engagement – Tlou has engaged BDO Audit Pty Ltd (BDO) to provide an Independent Reporting Accountants Report for the Listing.

Fees – Any fees payable to BDO for the preparation of the Independent Reporting Accountants Report will be covered under BDO's annual audit engagement.

31. VENDOR AGREEMENTS

The Company has not entered into any vendor agreements.

32. EXPERT CONSENTS

The Legal Advisor, Sponsoring Broker, Corporate Advisor, Reporting Accountants, Competent Person and Transfer Secretary have given and have not, prior to the registration of this Pre-listing Statement by the Registrar of Companies in Botswana, withdrawn their written consent to the inclusion of their names and, where applicable, reports in the form and context in which they appear.

33. GENERAL

33.1. Directors' Responsibility Statement

33.1.1. The Directors, whose names are given in Paragraph 14 of Part C of this Pre-listing Statement collectively and individually accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no other facts the omission of which would make any statement false or misleading, that they have made all reasonable enquiries to ascertain such facts, and that the Pre-listing Statement contains all information required by law.

33.1.2. The Directors confirm that the Pre-listing Statement includes all such information within their knowledge (or which it would be reasonable for them to obtain by making enquiries) as investors and their professional advisers would reasonably require and reasonably expect to find for the purpose of making an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Company and of the rights attaching to the securities to which the Pre-listing Statement relates.

33.2. Litigation

As at the date of the Pre-Listing Statement hereof the Company is not subject to any litigation, arbitration or legal proceedings.

33.3. Commissions paid or payable in respect of underwriting

There has not been any commissions, discounts, brokerages or other special terms granted during the three years preceding the date of the Pre-listing Statement in connection with the issue or sale of any securities, stock or debentures in the capital of the Company.

33.4. Preliminary Expenses

The preliminary expenses of the formation and listing of the Company and the Placing will be borne by the Company. Such preliminary expenses are estimated at approximately P2 million (excl VAT).

34. DOCUMENTS AVAILABLE FOR INSPECTION

34.1. Copies of the following documents will be available for inspection at the registered office of the Company at any time during business hours on weekdays (excluding Botswana public holidays) from Ground Floor, Victoria House, 132 Independence Avenue, Gaborone:

- Pre-Listing Statement;
- Constitution of the Company;
- Competent Persons Report;
- The written consents of the legal advisor, corporate advisor, sponsoring broker, transfer secretary and reporting accountants named in this Pre-listing Statement to act in those capacities, which consents have not been withdrawn;
- The signed reports of reporting accountants, the texts of which are set out in Annexure A;
- The Placement Agreement;
- The Lock-In Certificate Agreement; and
- Material contracts.

Duly authorised to sign for and on behalf of the Board

Gabaake Gabaake
Tlou Energy Limited

ANNEXURE A - INDEPENDENT REPORTING ACCOUNTANTS REPORT ON TLOU ENERGY'S FINANCIAL INFORMATION

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Level 10, 12 Creek St
Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001

To the Directors
Tlou Energy Limited
210 Alice Street
Brisbane QLD 4000

15 November 2017

Dear Directors

INDEPENDENT LIMITED ASSURANCE REPORT ON TLOU ENERGY LIMITED FINANCIAL INFORMATION

BDO Audit Pty Ltd ('BDO Audit') have been engaged by Tlou Energy Limited ("the Company" or "Tlou") to report on the Historical Information of Tlou for inclusion in the Accountants Report dated on or about 15 November 2017 and relating to the proposed listing of the Company by Introduction on the Botswana Stock Exchange.

Expressions and terms defined in the Accountants Report have the same meaning in this report.

Scope

Historical financial information

You have requested BDO Audit Pty Ltd to review the following historical financial information included in the Accountants Report:

- The audited Consolidated Statements of Comprehensive Income for the years ended 30 June 2013, 30 June 2014, 30 June 2015, 30 June 2016 and 30 June 2017 of the Group
- The audited Consolidated Statements of Financial Position as at 30 June 2016 and 30 June 2017 of the Group;
- The audited Statement of Financial Position as at 30 June 2016 and 30 June 2017 of Tlou;
- The audited Consolidated Statement of Changes in Equity for the year ended 30 June 2016 and 30 June 2017 of the Group and;
- The audited Consolidated Statements of Cash Flows for the year ended 30 June 2016 and 30 June 2017 of the Group

Hereafter referred to as "the Historical Financial Information".

The Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the company's adopted accounting policies.

The Historical Financial Information of Tlou has been extracted from the consolidated financial reports of Tlou as at 30 June 2017. BDO Audit included an emphasis of matter on a material uncertainty related to the Company's ability to continue as a going concern.

The Historical Financial Information is presented in the Accountants Report in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation, other than for the acts or omissions of financial services licensees.

Directors' responsibility

The directors of Tlou are responsible for the preparation of the Historical Financial Information. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Our responsibility

Our responsibility is to express a limited assurance conclusion on the financial information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

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

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the financial information.

Conclusions

Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Historical Financial Information, as described the Accountants Report, and comprising:

- The audited Consolidated Statements of Comprehensive Income for the years ended 30 June 2013, 30 June 2014, 30 June 2015, 30 June 2016 and 30 June 2017 of the Group
- The audited Consolidated Statements of Financial Position as at 30 June 2016 and 30 June 2017 of the Group;
- The audited Statement of Financial Position as at 30 June 2016 and 30 June 2017 of Tlou;
- The audited Consolidated Statement of Changes in Equity for the year ended 30 June 2016 and 30 June 2017 of the Group and;
- The audited Consolidated Statements of Cash Flows for the year ended 30 June 2016 and 30 June 2017 of the Group

are not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Note 1 of the Accountants Report.

Restriction on use

Without modifying our conclusions, we draw attention to the Financial Information - Basis of Preparation of the Accountants Report, which describes the purpose of the financial information, being for inclusion in the Accountants Report. As a result, the financial information may not be suitable for use for another purpose.

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation, other than for the acts or omissions of financial services licensees.

Consent

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Liability

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BDO Audit Pty Ltd are auditors of Tlou and from time to time BDO Audit Pty Ltd also provides Tlou with certain other professional services for which normal professional fees are received.

Yours faithfully

BDO Audit Pty Ltd

T R Mann
Director

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Tlou Energy Limited

ABN 79 136 739 967

Annual Report
and
Consolidated Financial Statements for the year ended 30 June 2017

Corporate Directory

ABN	79 136 739 967
Directors	Martin McIver Anthony Gilby Gabaake Gabaake Colm Cloonan Hugh Swire Linah Mohohlo
Company Secretary	Solomon Rowland
Administration & Registered Office	210 Alice Street Brisbane QLD 4000 Australia
Telephone:	+61 7 3012 9793
Solicitors	Delphi Partners Level 23 307 Queen Street Brisbane QLD 4000
Auditors	BDO Audit Pty Ltd Level 10 12 Creek Street Brisbane QLD 4000

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Chairman's letter

Dear Shareholders,

Over the past year we have made excellent progress towards establishing ourselves as a key power player in Botswana, culminating in being awarded our Mining Licence in August 2017. This was a key target as we work towards our goal of reducing the regional power deficit in Southern Africa through the development of our gas to power project via Coal Bed Methane ('CBM').

We are privileged to have the support of the forward-thinking Government of Botswana, which announced last year that CBM, a relatively clean source of energy and more competitively priced than solar and diesel, is to be included as part of the country's forward plan to combat power deficiency. Early in 2017, with our Environmental Impact Statement for upstream development already approved, we were delighted to receive a Request for Proposal ('RFP') from the Ministry of Mineral Resources, Green Technology and Energy Security to provide up to 100MW of CBM power from Lesedi. A detailed response to this RFP will be submitted in Q3 2017 which will incorporate a phased approach, firstly delivering up to 10MW, before expanding further. This phased development plan would allow power to get to the grid sooner, thereby generating revenue for the Company and would require less capital expenditure upfront.

As 100% owners of the most advanced CBM project in Botswana we believe we are in an excellent position to deliver the project outlined in our response to the RFP. In addition, we have collaborated with a leading power plant developer, London based Independent Power Corporation PLC ('IPC') to jointly develop our CBM power project with Tlou taking responsibility for the gas field development and IPC leading the power generation aspect of the project. IPC brings power generation experience and funding partners to the project which significantly enhances its viability. Notably, IPC has since entered into a joint venture partnership, "QG Power Africa", with QG Africa Mezzanine LP, a US$250 million investment vehicle which is part of the Quantum Global Group, and Tomé International Limited, a project management consulting firm, to jointly develop power assets in sub-Saharan Africa.

Tlou's Lesedi project has Botswana's first independently-certified CBM reserves which were upgraded to 3.9 billion cubic feet ('BCF') 2P and 261 BCF 3P gas reserves. We believe there is significant further upside to these figures which will come to fruition through further de-risking of both the Lesedi and Mamba project areas. With this in mind we have commissioned a 2D seismic survey over areas considered to be highly prospective for the addition of gas reserves. As well as potentially increasing the contingent resources and reserves the results of the survey will provide information which will enhance our knowledge of the sub-surface structures and resources in advance of further core well drilling.

Tlou has been producing gas from its operations in Botswana for over a year and in June 2017 generated its first power from CBM, a significant milestone for the Company and in effect a proof of concept of 'first gas monetisation'. This landmark achievement followed the installation of a gas generator at the Selemo project area which is now running on gas being produced by our own wells. Power required to run pumps and metering at the Selemo wells was previously supplied solely by diesel generators.

During the year, we were delighted to complete a share purchase plan and placings to raise A$9.7 million which was well supported by new investors and existing shareholders. This cash has enabled us to undertake additional field appraisal and to finalise licencing requirements. Additionally, on a corporate level we have made two valuable additions to the Tlou Board as Non-Executive Directors. We welcome Mr. Hugh Swire who brings expert knowledge and direct investment experience in the low carbon, water, energy and technology sectors having completed and exited investments into several leading companies in the low carbon sector; and Ms. Linah Mohohlo, who as well as being the former Governor of the Bank of Botswana, has significant experience in the mining industry in Botswana.

This has been a highly active year for Tlou. With the Lesedi Mining Licence now in hand which is an important prerequisite to developing the first commercial gas-to-power project in the Botswana, we have a range of milestones ahead that are set to be pivotal in shaping our future and we believe we are very well placed to achieve our objectives. I would like to take this opportunity to thank the Tlou Board, Management Team, 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,

The Lesedi CBM project has been further de-risked during the year after achieving some major milestones as we aim to deliver power to Botswana and the Southern African region.

In September 2016, we were granted approval of our Environmental Impact Statement ('EIS') by Botswana's Department of Environmental Affairs ('DEA'). This process took over two years to be completed including preparation of all regulatory documentation, followed by a review and final approval by the Government. An approved EIS is essential prior to the application for a Mining Licence in Botswana. A Mining Licence is required prior to the commencement of full field development. With our EIS in place, post-year end we submitted our Mining Licence application to Botswana's Department of Mines in the Ministry of Mineral Resources, Green Technology and Energy Security. We received notification in August 2017 that the application had been successful and the Mining Licence was granted. This was the first CBM mining licence granted in Botswana, with the Mining Licence covering a large area of approximately 900km^2.

In October 2016, we were delighted to receive an initial independent reserve certification from SRK Consulting (Australasia) Pty Ltd ('SRK'), marking Botswana's first independently certified CBM natural gas reserves. In early 2017, we were able to reinforce the commerciality of the project with a significant upgrade to these reserves with an increase in 2P (Proved and Probable) gas reserves to 3.9 billion cubic feet ('BCF') and 3P (Proved, Probable and Possible) gas reserves to 261 BCF. These increases comprised additional certified reserves in the Lesedi Project area (PL 002) based on a southern extension of the Selemo pilot area; and initial certified reserves in the Mamba Project area (PL's 238 and 240) based on a western extension of the Selemo pilot area. Together, we believe that the Lesedi and Mamba projects will continue to develop into a valuable resource for our shareholders as we work towards increasing the certified gas reserves in both areas.

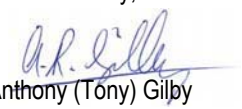
In January 2017, we received a detailed Request for Proposal ('RFP') from the Government of Botswana to develop up to 100MW of CBM power in Botswana. This indicates the Government's commitment to facilitate the development of a CBM industry in Botswana. The proposed Government power purchase agreement will assist in fast-tracking the development of the gas industry in the country and creates a new market for our gas. We made the decision to partner with Independent Power Corporation PLC to jointly develop our proposed (up to) 100 MW CBM to power project. Together, we have finalised work on a detailed proposal for the supply of CBM power in modular stages, which forms a significant part of the planned submission to the Government of Botswana in response to the RFP.

In line with further de-risking our project ahead of development we appointed Velseis Pty Ltd ('Velseis'), an experienced seismic survey contractor, to undertake a fully funded seismic survey for both the Lesedi and Mamba permits. The seismic survey will assist in our plan to drill more wells, by providing us with enhanced knowledge of sub-surface structures and resources in our project areas. The seismic survey will expand our geological database beyond the known gas reserve areas by providing data on potential gas reservoir compartments that have been identified outside the currently mapped gas reserve areas. Geological information over these compartments is relatively sparse other than the existing aeromagnetic data held by the Company, which was reprocessed by our reserve certifiers during the year. New seismic information is anticipated to potentially expand gas reserves and/or contingent resources should it be demonstrated that continuity of gas-rich coal exists. We look forward to reporting the results later this year.

Following the installation of a gas generator at the Selemo project area during the year, we generated our first power from CBM at the Lesedi project. Rather than flaring gas produced from the Selemo pilot wells, it can now be redirected to a gas generator for use in the field. Use of this indigenous gas provides a saving to the Company due to the reduced diesel requirement, effectively 'first gas monetisation'. We plan to replace another diesel generator in the near term which would provide further savings on diesel costs.

We believe that Tlou is well positioned to succeed in the RFP tender process and we look forward to providing further updates over the coming months. This is an exciting time for Tlou and I would like to thank our ground team for the consistent hard work in moving this project forward.

Yours faithfully,



Anthony (Tony) Gilby
Managing Director

Directors' report

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Tlou Energy Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at 30 June 2017.

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; appointed 22 June 2017
Linah Mohohlo	Non-Executive Director; appointed 12 July 2017

Dividends

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

Principal activities

The principal activity of the consolidated entity is the exploration and evaluation of assets in Botswana to identify and develop Coalbed Methane (CBM) natural gas resources suitable for gas-to-power generation. No revenue from this activity has been earned to date, as the consolidated entity is still in the exploration and evaluation stage.

Significant changes in the state of affairs

During the year ended 30 June 2017, there were no other significant changes to the state of affairs of the consolidated entity other than those disclosed in the financial report and notes thereof.

Review and results of operations

The loss for the year after income tax amounted to $3,165,323 (30 June 2016: $3,065,583). The loss for the year is in line with the loss for the previous year, however there are different expenses attributable to the loss in each year.

The 2017 figures include an expense for performance rights issued to key personnel during the reporting period, amounting to $423,499. This is a non-cash item and represents the valuation of the performance rights issued. Further information on this valuation is outlined in the notes to the financial statements.

Also included this year are share issue costs of $356,732, that relate to the capital raisings conducted by the Company during the year. While the gross amount of capital raised in this reporting period (~$9.7m) was significantly higher than that of the prior year (~$2.3m), the related costs incurred this year were lower. The prior year costs were high as this included the costs related to the listing of the Company on the AIM Market in the UK.

Management continues to be extremely focused on reducing corporate, administrative, and operating costs wherever possible, as long as this can be done without any adverse effect on performance. Significant corporate and administrative costs incurred during the year include travel and accommodation, due to the location of the assets in Botswana and the Company being listed in both the UK and Australia; stock market and advisory related costs, due to having corporate requirements both in the UK and Australia; and also investor relations, which was a key focus during the reporting period, and remains so, in order to maximise market awareness of the Company to increase shareholder value.

Net spend on exploration activities during the period amounted to approximately $1.8m. This is lower than the prior year as the Company did not drill additional wells this financial year. Funds were primarily incurred on operations in the Selemo project area. The increase in total liabilities compared to the end of the previous reporting period is primarily due to the additional amounts payable to specialist consultants being used at year end in relation to the Company's plan to submit a proposal to the Government of Botswana

for the development of a CBM gas-to-power project to produce up to 100MW of power. This is outlined in more detail later in this report.

Reserves Certification

The Company is focused on delivering power in Botswana and Southern Africa through the development of its CBM assets. Tlou's Lesedi CBM Project ('Lesedi') is believed to be the most advanced CBM project in Botswana. This was highlighted in October 2016 when Tlou Energy became the first company in Botswana to achieve independently certified CBM gas reserves, following certification from SRK Consulting (Australasia) Pty Ltd ('SRK') for the Lesedi CBM Project. Subsequently, these initial reserves were upgraded in January 2017.

The three Selemo production wells, located at the Lesedi project, each consist of a vertical well and an intersecting horizontal well. Sustained gas has been flowing at the Selemo pilot project for over 12 months with the data obtained from the production testing program at Selemo used by SRK in the reserve certification process. Reserve certification is a major milestone and demonstrates the commerciality of the Lesedi CBM Project. The Company aims to continue to upgrade these reserves as further production data is collected.

Request for Proposal for CBM Power Project

The Company received a detailed Request for Proposal ('RFP') from the Ministry of Mineral Resources, Green Technology and Energy Security ('the Ministry') in Botswana for the development of up to 100MW of CBM fuelled pilot power plants ('IPP Project'). Tlou was selected to bid for the development as an independent power producer. Tlou plans to submit its proposal on or before the closing date of 20 September 2017. The RFP requires details of the proposed field development, the installation of power generation facilities and supply of power into the grid in Botswana. The planned submission outlines a scalable CBM gas-to-power project. A scalable approach, with power connected to the grid in phases would allow power to get to the grid sooner, thereby generating revenue for the Company and would require less capital expenditure upfront.

The Ministry will assess the proposal and advise the Company if the application has been successful or not. An exact timeline of when this decision will be made has not yet been indicated. In the event that the proposal is accepted, the Company will then enter into further discussions with the relevant authorities in Botswana to determine the full specifics of the development including signing a power purchase agreement. In the event that the proposal is unsuccessful, the Company will further discussions with other parties who have expressed interest in using Tlou's gas.

Environmental approval

In 2014, the Company commenced work on its application for an Environmental Impact Statement ('EIS'). This addresses the social and environmental context of the area surrounding the planned wellfield development project at Lesedi and CBM exploration activities in Tlou's Mamba and Lesedi areas. The Department of Environmental Affairs in Botswana confirmed during the year that the EIS has been approved and adequately identified and assessed anticipated impacts associated with the proposed activity. This is another significant development highlighting Tlou's status as the most advanced CBM project in the country. Any new entrants to the market would be expected to acquire an approved EIS prior to commencing field exploration, let alone development.

The approved EIS allows further exploration operations to be conducted on Tlou's remaining prospecting licences and commencement of field development work on the Lesedi project area.

Project Partner

In February 2017, Tlou signed a Heads of Agreement ('Agreement') with Independent Power Corporation PLC ('IPC') to jointly develop Tlou's proposed IPP Project.

IPC develops and operates power plants for governments, large corporations and independent power producers. IPC has two decades of experience in the development, operation and ownership of power plants in Southern Africa, South America, the Middle East, Europe and Central Asia with roughly 4,000 MW operated, developed or owned. IPC's experience includes thermal and hydropower generation. IPC's head office is located in London, UK.

IPC has also introduced funding partners who have provided letters of interest for in-principle funding support for the downstream infrastructure requirements of the IPP Project. The agreement with IPC is potentially a major step forward in commercialising Tlou Energy's gas resources with highly experienced power developers, funding groups and equipment suppliers.

Post the announcement of IPC as project partner, IPC themselves announced that it has entered into a joint venture partnership, QG Power Africa, with QG Africa Mezzanine LP, a USD250 million investment vehicle which is part of the Quantum Global Group, and Tomé International Limited, project management consulting firm, to jointly develop power assets in sub-Saharan Africa. This has potential positive implications for the future funding of the IPP Project. QG Power Africa plan to develop power assets across sub-

Saharan Africa with Botswana outlined as part of the first phase of development and investment, where Tlou's project would be a potential investment opportunity for QG Power Africa.

Mining Licence

The Company was granted a mining licence in August 2017. The Mining Licence for the Lesedi CBM project is the first CBM mining licence granted in Botswana.

Holders of Prospecting Licences ('PL') are issued Mining Licences once exploration on a relevant PL has been concluded and the holder of the PL is ready to commence commercial production. Mining Licences are assessed in accordance with the prescribed statutory requirements of the Botswana Mines and Minerals Act. Two major components of a Mining Licence application are an approved EIS, granted for the Lesedi Project as outlined in this report, and a feasibility study for the relevant project. The Mining Licence covers approximately 900Km^2, which is the area previously designated as prospecting licence PL002/2004. With a term of 25 years the Mining Licence gives security of tenure over the project area and shows Tlou's progression from CBM exploration and appraisal to development.

The award of a Mining Licence is another milestone for the Company which further enhances its first mover advantage to develop a gas-to-power project in the region. A CBM mining licence can pioneer the development of a new and exciting CBM natural gas industry in Botswana, an industry that could lead to a new indigenous source of energy and employment for the country and the region. Over time, it will potentially allow new manufacturing industries to develop using CBM gas and facilitate the creation of a new renewable energy industry. Gas is a much cleaner alternative fuel source compared to coal and diesel so is a relatively clean and cost-effective way to provide peaking power. CBM development can enhance the viability of solar power projects and can be ideal for use with renewable energy which can often be intermittent in nature.

Conversion of field generation from diesel to gas

The Company generated its first power from CBM at its field in Botswana following the installation of a gas generator at the Selemo project area, highlighting CBM as a real and viable source of power in the region. A Cummins 8.3L natural gas-powered generator was installed and commissioned on the Selemo S1P site to replace the existing diesel-powered unit.

The gas generator is currently supplying power to operate the down hole pumps and surface infrastructure on Selemo wells 1P, 2P & 4P with the capacity to provide additional power if required. The previous diesel generator now serves as a backup power supply to provide power during routine servicing of the new Cummins unit. The Cummins gas power unit was selected based on its suitability to the project and was set up to meet the operating requirements on site, where high ambient temperatures and sandy conditions are present. The proven reliability of the Cummins engine was also a significant factor along with availability of a local support network. The unit has been in operation for 1500 hrs of continuous running without any issue. A second unit has been secured for installation at a later date.

Selemo pilot wells

Ongoing gas flow testing of the Selemo wells has shown consistent production of gas, which has been encouraging and in-line with expectations. Selemo 4P continues flaring with a steady and consistent rate of gas production, while gas from 1P has been switched from flaring to supplying gas for the gas generator installed during the year.

A workover program was completed on the Selemo S1P vertical well and the adjoining Selemo S1AR lateral well. The objectives of the workover were to flush any coal fines (minor coal particles) from the wells that may have accumulated near the intersecting point of the lateral and vertical well; and for the scheduled monitoring of wear on downhole equipment. The wear on the guide bushings on S1AR was found to be very minimal and the same configuration was re run with no replacement of the down hole equipment required. The down hole pressure gauge was changed out as part of the workover.

The workover on S1P (vertical well) resulted in the down hole progressive cavity pump being changed out due to some noted wear on the rotor of the existing unit. This was performed as a precautionary measure to ensure the life of the pump. The down hole pressure gauge was also changed out as done on S1AR.

Planned Seismic Survey

The Company entered into a contract for a 250 km 2D seismic program with Velseis Pty Ltd, an Australian seismic acquisition and processing company providing a fully integrated range of seismic technologies. Velseis has built a reputation as a leading Australian contractor in this field, with over 25 years of experience throughout the Asia-Pacific Region. The seismic program is scheduled to commence in Q3, 2017. It is envisaged this survey will give the Company the opportunity to expand its gas reserves and contingent resources as it progresses towards developing the first CBM gas to power project in Botswana.

The seismic survey will assist in the next step of Tlou's plan to drill more wells by providing the Company with enhanced knowledge of the sub-surface structures and resources within the Lesedi and Mamba project areas. The seismic information along with the data from a subsequent core well program may also lead to further gas reserves and contingent resources being certified.

Works to prepare for the seismic program are complete including clearing of tracks within the Lesedi and Mamba areas to allow the seismic team to conduct seismic testing along the defined tracks. This work was carried out within the guidelines of the Company's EIS with a focus on minimising the impact to vegetation and ground disturbance.

Capital Raised

The Company successfully raised capital through a share purchase plan and placements during the year. These funds are being, or already have been, applied by Tlou towards various costs including:

- production testing at Selemo;
- achieving initial and expanded independent reserves certification;
- installation of a gas engine to run equipment on existing wells;
- completing environmental and mining licence application and approvals;
- acquisition and interpretation of new 2D seismic data in areas considered to be highly prospective for additional reserves by the Company's reserve certifiers;
- drilling vertical (cored) wells along the new seismic lines (with geophysical logging and coal core gas sampling) to a depth of approximately 500 metres;
- completing various studies (upstream and downstream) required for the submission of the mining licence application and IPP Project submission; and
- capital raising expenses, corporate costs and working capital.

Matters subsequent to the end of the financial year

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

Likely developments and expected results of operations

Production testing is continuing in the Lesedi CBM project. Continued gas production will provide further assurance to independent reserves certifiers regarding the commerciality of the gas flow rates, the ability of the wells to flow for a significant length of time and ultimately an estimate of the amount of gas that could be attained from the gas field. The continued performance of the gas wells is a key focus for the Company.

Additionally, a successful outcome from the RFP submission to the Ministry of Mineral Resources, Green Technology and Energy Security in Botswana, is extremely important as it is an ideal pathway towards a power purchase agreement and, once initial development is completed, the IPP Project will connect Tlou Energy's gas field to the regional grid, thereby opening up the possibility for the Company to provide power across the Southern African region, through the Southern African Power Pool. In the event that the Company does not receive approval, this may delay access to the grid and consequently development of Tlou's gas assets. No guarantee can be given in relation to the expected results for the Consolidated Group, including whether the gas production will continue in a positive manner or that the RFP submission to Government will be successful. However, the electricity market in Southern Africa continues to suffer from chronic shortage of supply, so development of gas and gas fired power in the region remains a very attractive commercial option.

Environmental regulation

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

Information on Directors

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	446,088 Ordinary Shares 500,000 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 14 years' experience as General Manager for mining services companies including bulk and dangerous goods logistics, and drilling services. Martin was the Executive General Manager of the Mitchell Group, a vertically integrated coal and coal seam gas company with investments and operations across Australia, Asia and Africa. Prior to joining the Mitchell Group, Martin was a Director in Mergers and Acquisitions with PricewaterhouseCoopers.

Martin was appointed Non-Executive Director in September 2010 and is currently the Chief Financial Officer of the Workpac group.

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	17,946,487 Ordinary Shares 500,000 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	80,857 Ordinary Shares 500,000 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	419,525 Ordinary Shares 500,000 Performance Rights

Experience

Colm Cloonan is the Company's Finance Director. Colm is a Fellow of the Association of Chartered Certified Accountants (FCCA) with over 18 years' experience in various finance roles.

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

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

Hugh Swire BA (Hons)

Special Responsibilities	Non-executive Director; appointed 22 June 2017 Chair of the Risk Committee Member of the Nomination & Remuneration Committee
Interest in Shares and options	3,064,366 Ordinary Shares

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 J P Morgan where he was Vice President.

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

Hugh still travels to China regularly after studying Chinese at Oxford University graduating with a BA Hons

Linah Mohohlo MA Finance & Investments, BA Economics

Special Responsibilities	Non-executive Director; appointed 12 July 2017 Chair of the Audit Committee Member of the Nomination & Remuneration Committee
Interest in Shares and options	Nil

Experience

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

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

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

Remuneration Report - audited

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

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 Group, 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 Group 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 Group receive a base salary (which is based on factors such as length of service and experience), inclusive of superannuation, fringe benefits, options and performance incentives where appropriate. Performance incentives are generally only paid once predetermined key performance indicators have been met.

- Executives engaged through professional service entities are paid fees based on an agreed market based hourly rate for the services provided and may also be entitled to options and performance based incentives. Performance incentives are generally only paid once predetermined key performance indicators have been met.

- Incentives paid in the form of options or performance rights are intended to align the interests of management, the Directors and Company with those of the shareholders. In this regard, executives are prohibited from limiting risk attached to those instruments by use of derivatives or other means.

The Board reviews executive remuneration arrangements annually by reference to the Group's performance, executive performance and comparable information from industry sectors.
Key management personnel including Non-executive Directors and employed executives receive the superannuation guarantee contribution required by the Commonwealth Government, which is currently 9.5% and do not receive any other retirement benefits. Individuals, however, can chose 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 Group, 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 2017

Directors

Martin McIver	Non-executive Chairman
Anthony Gilby	Managing Director and Chief Executive Officer
Gabaake Gabaake	Executive Director
Colm Cloonan	Finance Director; appointed 11 February 2016
Hugh Swire	Non-executive Director; appointed 22 June 2017

Executives

Solomon Rowland	Company Secretary

There were no other key management personnel of the Group during the financial year ended 30 June 2017.

Details of remuneration

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

Benefits and Payments for the year ended 30 June 2017

	Short-term benefits		Post Employment benefits	Long term benefits		Share based payments		
	Salary & Fees	Cash Bonus	Superannuation	Leave Benefits	Total Cash Remuneration	Performance Rights	Performance Rights as a % of Total Remuneration	Total
Directors	$	$	$	$	$	$		$
M McIver	33,000	-	3,135	-	36,135	68,475	65%	104,610
A Gilby	139,418	-	6,499	5,016	150,933	68,475	31%	219,408
G Gabaake	136,269	-	12,388	11,356	160,013	68,475	30%	228,488
C Cloonan	200,326	-	19,031	3,846	223,203	68,475	23%	291,678
H Swire*	-	-	-	-	-	-		-
L Mohohlo**	-	-	-	-	-	-		-
Total Directors	509,013	-	41,053	20,218	570,284	273,900		844,184
Executives								
S Rowland	144,662	-	13,743	3,512	161,917	68,475	30%	230,392
Total Executives	144,662	-	13,743	3,512	161,917	68,475		230,392
Total	653,675	-	54,796	23,730	732,201	342,375		1,074,576

* Appointed 22 June 2017
** Appointed 12 July 2017

During the 2017 year, performance rights were issued to key management personnel as outlined in the table below. No key management personnel received other performance related bonuses, cash bonuses, termination benefits or non-cash benefits during the year.

Performance Rights issued during the year are linked to the share price performance of the Company, ensuring alignment with the interests of the Company's shareholders. The Performance Rights issued to key management personnel have been split into two equal Tranches of 250,000 shares in each tranche. For the Performance Rights to vest and, therefore, become exercisable by a participant, certain performance conditions will be 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.

30 June 2017		Issue Date	Granted	Value	Exercised	Lapsed	Balance at Year End	Unvested
M McIver	Tranche 1	31-Jan-17	250,000	34,475	-	-	250,000	-
	Tranche 2	31-Jan-17	250,000	34,000	-	-	250,000	-
A Gilby	Tranche 1	31-Jan-17	250,000	34,475	-	-	250,000	-
	Tranche 2	31-Jan-17	250,000	34,000	-	-	250,000	-
G Gabaake	Tranche 1	31-Jan-17	250,000	34,475	-	-	250,000	-
	Tranche 2	31-Jan-17	250,000	34,000	-	-	250,000	-
C Cloonan	Tranche 1	31-Jan-17	250,000	34,475	-	-	250,000	-
	Tranche 2	31-Jan-17	250,000	34,000	-	-	250,000	-
S Rowland	Tranche 1	31-Jan-17	250,000	34,475	-	-	250,000	-
	Tranche 2	31-Jan-17	250,000	34,000	-	-	250,000	-
Total			2,500,000	342,375	-	-	2,500,000	-

Tranche	Performance Condition
Tranche 1	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.
Tranche 2	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.

Notes:

- The date of shareholder approval was 10 November 2016
- The share price on 10 November 2016 was AUD $0.14
- For Tranche 1 to vest the share price needs to be AUD $0.21 per share or greater for a period of 10 consecutive trading days
- For Tranche 2 to vest the share price needs to be AUD $0.28 or greater for a period of 10 consecutive trading days

Benefits and Payments for the Year Ended 30 June 2016

	Short-term benefits		Post Employment benefits	Long term benefits		Share based payments		
	Salary & Fees	Cash Bonus	Superannuation	Leave Benefits	Total Cash Remuneration	Options	Options as a % of Total Remuneration	Total
Directors	$	$	$	$	$	$		$
N Mitchell[1]	15,591	-	1,481	-	17,072	-	0%	17,072
A Gilby	227,584	-	12,933	5,844	246,361	-	0%	246,361
M McIver	22,500	-	2,137	-	24,637	-	0%	24,637
G Gabaake	113,117	-	10,046	9,426	132,589	-	0%	132,589
C Cloonan	183,605	-	17,442	7,717	208,764	-	0%	208,764
Total Directors	562,397	-	44,039	22,987	629,423	-		629,423
Executives								
S Rowland[2]	115,500	-	10,973	5,076	131,549	-	0%	131,549
S Rodgers[3]	6,000	-	-	-	6,000	-	0%	6,000
G Smith[4]	201,668	-	-	-	201,668	-	0%	201,668
Total Executives	323,168	-	10,973	5,076	339,217	-		339,217
Total	885,565	-	55,012	28,063	968,640	-		968,640

1. Represents remuneration from 1 July 2015 to 11 February 2016
2. Represents remuneration from 19 August 2015 to 30 June 2016
3. Represents remuneration from 1 July 2015 to 19 August 2015
4. Represents remuneration from 1 July 2015 to 13 December 2015

During the 2016 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 which are formalised in employment contracts for services.

Anthony Gilby	Managing Director and Chief Executive Officer
Term of Agreement:	Mr Gilby's services are provided in a personal capacity. The agreement has no fixed term. Based on the agreed rate the estimated contracted annual cost to the Group is approximately $582,000. Mr Gilby has agreed to waive 50% of his current contracted rate, so the current estimated cost is approximately $291,000.
Termination Benefit:	No termination benefit is payable if terminated for cause.
Termination Notice:	The Company may give Mr Gilby three months' notice or pay 1.5 times base salary in lieu of notice to terminate the Agreement.
Solomon Rowland	Company Secretary
Term of Agreement:	Mr Rowland's services are provided in a personal capacity. The agreement has no fixed term.
Base Fee:	Based on the contracted rate the estimated annual cost to the Group is approximately $200,000.
Termination Benefit:	No termination benefit is payable if terminated for cause.
Termination Notice:	The Company may give the Company Secretary two months' notice of its intention to terminate the Agreement.
Gabaake Gabaake	Executive Director
Term of Agreement:	Mr Gabaake's services are provided in a personal capacity. The agreement has no fixed term.
Base Fee:	Based on the contracted rate the estimated annual cost to the Group is approximately $143,000.
Termination Benefit:	No termination benefit is payable if terminated for cause.
Termination Notice:	The Company may give the Managing Director two months' notice of its intention to terminate the Agreement.
Colm Cloonan	Finance Director
Term of Agreement:	Mr Cloonan's services are provided in a personal capacity. The agreement has no fixed term.
Base Fee:	Based on the contracted rate the estimated annual cost to the Group is approximately $220,000.
Termination Benefit:	No termination benefit is payable if terminated for cause.
Termination Notice:	The Company may give the Finance Director two 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 group during the financial year is as follows:

30 June 2017	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	296,088	-	150,000	-	-	446,088
A Gilby	17,796,487	-	150,000	-	-	17,946,487
G Gabaake	80,857	-	-	-	-	80,857
C Cloonan	269,525	-	150,000	-	-	419,525
H Swire	-	-	-	-	3,064,366	3,064,366
L Mohohlo	-	-	-	-	-	-
S Rowland	-	-	-	-	-	-
	18,442,957	-	450,000	-	3,064,366	21,957,323

Performance rights

The number of performance rights held by each key management person of the group during the financial year is as follows:

30 June 2017	Balance at beginning of year	Granted as remuneration	Balance at date of resignation / appointment	Expired during the year	Balance at end of year	Vested	Unvested
M McIver	-	500,000	-	-	500,000	-	500,000
A Gilby	-	500,000	-	-	500,000	-	500,000
G Gabaake	-	500,000	-	-	500,000	-	500,000
C Cloonan	-	500,000	-	-	500,000	-	500,000
H Swire	-	-	-	-	-	-	-
L Mohohlo	-	-	-	-	-	-	-
S Rowland	-	500,000	-	-	500,000	-	500,000
Total	-	2,500,000	-	-	2,500,000	-	2,500,000

Shares issued on exercise of performance rights

No 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.

	2017	2016	2015	2014	2013
Share price at end of financial year ($)	0.11	0.07	0.13	0.30	0.25
Market capitalisation at end of financial year ($M)	33	14	24	44	26
Loss for the financial year ($)	(3,165,323)	(3,065,583)	(2,730,900)	(2,289,366)	(6,087,074)
Cash spend on exploration programs ($)	(1,852,642)	(5,783,800)	(4,529,184)	(8,670,411)	(2,292,295)
Director and Key Management Personnel remuneration ($)	1,074,576	968,640	1,441,785	1,168,396	3,125,338

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

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

No remuneration consultants were used in the 2017 financial year.

Other transactions with key management personnel

	2017 $	2016 $
Payment for goods and services:		
Office rent paid to The Gilby McKay Alice Street Partnership, a director-related entity of Anthony Gilby.	21,000	46,500

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

Current payables:		
Trade payables to The Gilby McKay Alice Street Partnership, a director-related entity of Anthony Gilby	1,925	1,925

Loans to/from related parties

There were no loans to or from related parties at the reporting date or during the year.

Terms and conditions

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

(End of Remuneration Report)

Company secretary

Mr Solomon Rowland was appointed Company Secretary on 19 August 2015 and continues in office at the date of this report. Mr Rowland has been the Assistant Company Secretary and Legal Counsel since March 2013.

Mr Rowland is a commercial lawyer with over 17 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 2017, 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	6	7	2	2	1	1
A Gilby	7	7	2	2	-	-
G Gabaake	6	7	-	-	-	-
C Cloonan	7	7	2	2	1	1

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

Unissued ordinary shares of Tlou Energy Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
30-Nov-15	29-Nov-17	$0.140	1,500,000
14-Jan-16	14-Jan-18	$0.140	500,000

No option holder has any right under the options to participate in any other share issue of the company or any other entity.

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

Vesting Date	Exercise Price	01/07/2016	Issued	Exercised	Expired	30/06/2017
31 January 2017	$0.21	-	2,275,000	-	-	2,275,000
31 January 2017	$0.28	-	2,275,000	-	-	2,275,000
		-	4,550,000	-	-	4,550,000

Shares issued on the exercise of options

There were no ordinary shares of Tlou Energy Limited issued during the year ended 30 June 2017 on the exercise of options granted or up to the date of this report.

Indemnity and insurance of officers

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

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

Indemnity and insurance of auditor

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

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

Proceedings on behalf of the Company

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

Currency and rounding

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is attached.

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 Group 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:

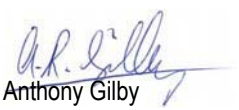
- all non-audit services have been reviewed to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

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

	2017 $	2016 $
Non-audit services - BDO Australia		
Tax consulting and compliance services	10,172	16,132
AIM listing	-	36,983
Total	10,172	53,115

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, 11 September 2017

2017 Annual Reserves Statement

Tlou Energy Limited is pleased to present its Annual Reserves Statement for the period ending 30 June 2017. As detailed in the Director's Report the Company achieved independently certified CBM gas reserves, following certification from SRK Consulting (Australasia) Pty Ltd ('SRK') for the Lesedi CBM project in October 2016. Subsequently, these initial reserves were upgraded in early 2017. There has been no adjustment to the net gas reserves and contingent resources of the Company since the upgraded reserves were announced on 15 February 2017. Please refer to the ASX announcement on 15 February 2017 for full details of the Group's gas reserves and contingent resources.

Having conducted a review of its gas reserves and resources position during the reporting period and satisfying itself that there was no new data that might increase the reserves or resources estimates reported during the reporting period, the Company hereby presents the net gas reserves and contingent resources on a combined basis as well as for each of its individual tenements as at 30 June 2017:

Location	Project	Tlou Interest	Gas Reserves (BCF)					
			30/06/2017	30/06/2016	30/06/2017	30/06/2016	30/06/2017	30/06/2016
			1P*	1P	2P*	2P	3P	3P
Karoo Basin Botswana	Lesedi CBM (all coal seams) PL001/2004, PL002/2004	100%	0.15	-	3.5	-	117	-
Karoo Basin Botswana	Mamba CBM (Lower Morupule coal) PL238/2014, PL240/2014	100%	0.02	-	0.4	-	144	-
Karoo Basin Botswana	PL003/2004, PL035/2000, PL037/2000	100%	-	-	-	-	-	-
Total			0.17	-	3.9	-	261	-

Location	Project	Tlou Interest	Gas Contingent Resource (BCF)					
			30/06/2017	30/06/2016	30/06/2017	30/06/2016	30/06/2017	30/06/2016
			1C	1C	2C**	2C**	3C	3C
Karoo Basin Botswana	Lesedi CBM (all coal seams) PL001/2004, PL002/2004	100%	4.3	4.9	235	239	3,183	3,295
Karoo Basin Botswana	Mamba CBM (Lower Morupule coal) PL238/2014, PL240/2014	100%	-	-	-	-	-	-
Karoo Basin Botswana	PL003/2004, PL035/2000, PL037/2000	100%	-	-	-	-	-	-
Total			4.3	4.9	235	239	3183	3,295

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 2017. There were no petroleum reserves certified at 30 June 2016.

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 2017 from external independent consultants who are qualified petroleum reserves and resource evaluators as prescribed by the ASX Listing Rules.
- Tlou Energy estimates and reports its petroleum reserves and resources in accordance with the definitions and guidelines of the Petroleum Resources Management System 2007, published by the Society of Petroleum Engineers (SPE PRMS).
- To ensure the integrity and reliability of data used in the reserves estimation process, the raw data is reviewed by senior reservoir and geological staff and consultants at Tlou Energy before being provided to the independent reserve certifiers. Tlou Energy has not and does not currently intend to conduct internal reviews of petroleum reserves preferring to appoint independent external experts prior to reporting any updated estimates of reserves or resources so as to ensure an independent and rigorous review of its data.
- Tlou Energy reviews and updates its gas reserves and resources position on an annual basis to ensure that if there is any new data that might affect the reserves or resources estimates of the Company steps can be taken to ensure that the estimates are adjusted accordingly.

** Listing Rule 5.40.1:

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

Listing Rule 5.40.2:

- The table shows the 2C and 3C contingent resources as at 30 June 2017 as against the previous year. The net 2C and 3C contingent resources did not increase from the 2016 year to the 2017 year.
- 2C and 3C contingent resources decreased during the period as a result of converting 2C and 3C contingent resources to gas reserves. There were no other changes to the 2C and 3C contingent resources since the announcement on 15 February 2017.

Listing Rule 5.44:

- The estimates of Reserves and Contingent Resources appearing in the 2017 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 15 February 2017 ('Announcement'). Tlou energy confirms that it is not aware of any new information or data that materially affects the information included in the Announcement and that all of the material assumptions and technical parameters underpinning the estimates in the Announcement continue to apply and have not materially changed. The gas reserve and resource estimates are based on and fairly represents, information and supporting documentation and were determined by Dr. Bruce Alan McConachie of SRK Consulting (Australasia) Pty Ltd, in accordance with Petroleum Resource Management System guidelines. Dr. McConachie is considered to be a qualified person as defined under the ASX Listing Rule 5.42 and has given his consent to the use of the resource figures in the form and context in which they appear in this report.

Notes to Net Reserves and Resources Table:

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

Auditor's independence declaration

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DECLARATION OF INDEPENDENCE BY D P WRIGHT TO THE DIRECTORS OF TLOU ENERGY LIMITED

As lead auditor of Tlou Energy Limited for the year ended 30 June 2017, 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.

D P Wright
Director

BDO Audit Pty Ltd

Brisbane, 11 September 2017

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Consolidated Statement of Comprehensive Income for the year ended 30 June 2017

	Note	Consolidated June 2017 $	Consolidated June 2016 $
Interest income		2,365	27,857
Expenses			
Employee benefits expense	3	(617,581)	(613,809)
Depreciation and amortisation expense		(240,961)	(260,564)
Foreign exchange loss		(37,181)	(247,007)
Share issue costs		(356,732)	(779,310)
Performance rights expense	3	(423,499)	-
Professional fees		(177,121)	(185,566)
Corporate expenses		(48,437)	(57)
Occupancy costs	3	(47,817)	(64,601)
Other expenses	3	(1,218,359)	(942,526)
LOSS BEFORE INCOME TAX		(3,165,323)	(3,065,583)
Income tax	4	-	-
LOSS FOR THE PERIOD		(3,165,323)	(3,065,583)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		1,210,182	(2,395,125)
Tax effect		-	-
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS)		1,210,182	(2,395,125)
TOTAL COMPREHENSIVE INCOME/(LOSS)		(1,955,141)	(5,460,708)
Earnings per share			
		Cents	Cents
Basic loss per share	5	(1.3)	(1.5)
Diluted loss per share	5	(1.3)	(1.5)

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 2017

	Note	Consolidated June 2017 $	Consolidated June 2016 $
CURRENT ASSETS			
Cash and cash equivalents	6	6,727,424	1,224,404
Trade and other receivables		100,674	290,431
Other current assets		8,650	43,969
TOTAL CURRENT ASSETS		6,836,748	1,558,804
NON-CURRENT ASSETS			
Exploration and evaluation assets	8	49,328,038	46,183,722
Other non-current assets	9	694,402	946,675
Property, plant and equipment	7	320,739	444,358
TOTAL NON-CURRENT ASSETS		50,343,179	47,574,755
TOTAL ASSETS		57,179,927	49,133,559
CURRENT LIABILITIES			
Trade and other payables	10	431,032	306,956
Provisions	11	166,193	160,874
TOTAL CURRENT LIABILITIES		597,225	467,830
NON-CURRENT LIABILITIES			
Deferred tax liabilities	4	369,353	369,353
Provisions	11	94,000	94,000
TOTAL NON-CURRENT LIABILITIES		463,353	463,353
TOTAL LIABILITIES		1,060,578	931,183
NET ASSETS		56,119,349	48,202,376
EQUITY			
Contributed equity	12	83,380,184	73,931,569
Reserves		(3,107,432)	(4,741,113)
Accumulated losses		(24,153,403)	(20,988,080)
TOTAL EQUITY		56,119,349	48,202,376

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 2017

	Contributed Equity	Share Based Payments Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total
	$	$	$	$	$
Balance at 1 July 2015	71,606,519	2,062,745	(2,442,989)	(19,985,242)	51,241,033
Loss for the period	-	-	-	(3,065,583)	(3,065,583)
Other comprehensive income	-	-	(2,395,125)	-	(2,395,125)
Total comprehensive income	-	-	(2,395,125)	(3,065,583)	(5,460,708)
Transactions with owners in their capacity as owners					
Share based payments	-	97,001	-	-	97,001
Transfers	-	(2,062,745)	-	2,062,745	-
Shares issued, net of costs	2,325,050	-	-	-	2,325,050
	2,325,050	(1,965,744)	-	2,062,745	2,422,051
Balance at 30 June 2016	73,931,569	97,001	(4,838,114)	(20,988,080)	48,202,376
Balance at 1 July 2016	73,931,569	97,001	(4,838,114)	(20,988,080)	48,202,376
Loss for the period	-	-	-	(3,165,323)	(3,165,323)
Other comprehensive income	-	-	1,210,182	-	1,210,182
Total comprehensive income	-	-	1,210,182	(3,165,323)	(1,955,141)
Transactions with owners in their capacity as owners					
Share based payments	-	423,499	-	-	423,499
Shares issued, net of costs	9,448,615	-	-	-	9,448,615
	9,448,615	423,499	-	-	9,872,114
Balance at 30 June 2017	83,380,184	520,500	(3,627,932)	(24,153,403)	56,119,349

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 2017

		Consolidated	
		June 2017	June 2016
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees (inclusive of GST)		(2,446,145)	(2,896,862)
Interest received		2,365	27,857
GST and VAT received		98,911	565,759
NET CASH USED IN OPERATING ACTIVITIES	22	(2,344,869)	(2,303,246)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for exploration and evaluation assets		(1,852,642)	(5,783,800)
Payment for property, plant and equipment		(100,764)	(24,102)
NET CASH USED IN INVESTING ACTIVITIES		(1,953,406)	(5,807,902)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		9,938,787	2,292,540
Share issue costs		(162,317)	(227,676)
NET CASH PROVIDED BY FINANCING ACTIVITIES		9,776,470	2,064,864
Net increase/(decrease) in cash held		5,478,195	(6,046,283)
Cash at the beginning of the period		1,224,404	7,197,813
Effects of exchange rate changes on cash		24,825	72,875
CASH AT THE END OF THE PERIOD	6	6,727,424	1,224,404

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

Notes to the financial statements

Note 1. Significant accounting policies

Introduction

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

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

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

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

Operations and principal activities

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

Currency

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

Authorisation of financial report

The financial report was authorised for issue on 11 September 2017.

Basis of preparation

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

Compliance with IFRS

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

Historical cost convention

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

Critical accounting estimates

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

Foreign currency transactions

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

Notes to the financial statements (continued)

Note 1 Significant accounting policies (continued)

Going Concern

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

Because of the nature of the operations, exploration companies, such as Tlou Energy Limited, find it necessary on a regular basis to raise additional cash funds for future exploration activity and meet other necessary corporate expenditure. The company has recently completed a capital raising which is expected to fund ongoing operations and working capital requirements for the next 12 months. Subject to the results of these operations the group may need to raise additional capital to expand and develop the project further. Accordingly, the group is in the process of investigating various options for the raising of additional funds which may include but is not limited to an issue of shares or the sale of exploration assets where increased value has been created through previous exploration activity.

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

The 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 group not be able to continue as a going concern.

Accounting Polices

(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.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

(b) Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Interest

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

Other revenue

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

Notes to the financial statements (continued)

Note 1 Significant accounting policies (continued)

(c) Investments and other financial assets

Investments and other financial assets are measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted. The fair values of quoted investments are based on current bid prices. For unlisted investments, the consolidated entity establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either: (i) held for trading, where they are acquired for the purpose of selling in the short- term with an intention of making a profit; or (ii) designated as such upon initial recognition, where they are managed on a fair value basis or to eliminate or significantly reduce an accounting mismatch. Except for effective hedging instruments, derivatives are also categorised as fair value through profit or loss. Fair value movements are recognised in profit or loss.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets, principally equity securities that are either designated as available-for-sale or not classified as any other category. After initial recognition, fair value movements are recognised in the available-for-sale reserve in equity. Cumulative gain or loss previously reported in the available-for-sale reserve is recognised in profit or loss when the asset is derecognised or impaired.

Impairment of financial assets

The consolidated entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for financial assets carried at cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for similar financial assets.

Available-for-sale financial assets are considered impaired when there has been a significant or prolonged decline in value below initial cost. Subsequent increments in value are recognised in the available-for-sale reserve.

(d) 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.

Notes to the financial statements (continued)

Note 1 Significant accounting policies (continued)

(e) 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.

(f) Comparative figures

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

(g) New Accounting Standards and Interpretations

The Consolidated Entity has adopted all new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2016. The Consolidated Entity did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

Notes to the financial statements (continued)

Note 1 Significant accounting policies (continued)

(h) New Standards and Interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 reporting periods. The Consolidated Entity has decided against early adoption of these standards. The Consolidated Entity's assessment of the impact of these new standards and interpretations is set out below:

AASB 9 Financial Instruments

This standard and its consequential amendments are currently applicable to annual reporting periods beginning on or after 1 January 2018. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. To be classified and measured at amortised cost, assets must satisfy the business model test for managing the financial assets and have certain contractual cash flow characteristics. All other financial instrument assets are to be classified and measured at fair value. This standard allows an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income, with dividends as a return on these investments being recognised in profit or loss. In addition, those equity instruments measured at fair value through other comprehensive income would no longer have to apply any impairment requirements nor would there be any 'recycling' of gains or losses through profit or loss on disposal. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. The Group has not yet made an assessment of the impact of this standard.

AASB 16: Leases

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

The main changes introduced by the new Standard include:

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

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application. The Group has not yet made an assessment of the impact of this standard.

Note 2. Critical accounting judgements, estimates and assumptions

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

Exploration & evaluation assets

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

Deferred Tax assets

The group 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 group estimates its tax liabilities based on the group'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 group has recognised deferred tax assets relating to carried forward tax losses to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same subsidiary against which the unused tax losses can be utilised. However, utilisation of the tax losses also depends on the ability of the entity, which is not part of the tax consolidated group, to satisfy certain tests at the time the losses are recouped. Due to the parent entity acquiring the entity that holds the losses it is expected that the entity will fail to satisfy the continuity of ownership test and therefore has to rely on the same business test. As at 30 June 2017 the group has received advice that the losses are available, however should this change in the future the group may be required to derecognise these losses.

Note 3. Expenses

	Consolidated	
	June 2017	June 2016
Loss before income tax includes the following specific expenses:	$	$
Employee benefits expense		
● Defined contribution superannuation expense	42,408	46,535
● Performance rights	423,499	-
● Other employee benefits expense	575,173	567,274
	1,041,080	613,809
Occupancy costs		
● Rental expense relating to operating leases - minimum lease rentals	47,817	64,601
	47,817	64,601
Other expenses include the following specific items:		
● Travel and accommodation costs	225,735	140,462
● Consultants	277,184	365,460
● Stock exchange, advisory, secretarial fees	355,848	198,707
● Insurance	68,254	70,705
	927,021	775,334

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 2017	June 2016
	$	$
Loss before income tax	(3,165,323)	(3,065,583)
Tax at the domestic tax rates applicable to profits in the country concerned	(949,597)	(919,675)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Other non-deductible items	216,360	244,706
Difference in overseas tax rates	(218,335)	329,015
Previously unrecognised tax losses used to reduce deferred tax expense	-	-
Deferred tax asset not recognised	951,572	345,954
Income tax benefit	-	-
Recognised deferred tax assets		
Unused tax losses	7,551,526	5,937,794
	7,551,526	5,937,794
Recognised deferred tax liabilities		
Assessable temporary differences	7,920,879	6,307,147
	7,920,879	6,307,147
Net deferred tax liability recognised	369,353	369,353
Unrecognised temporary differences and tax losses		
Unused tax losses and temporary differences for which no deferred tax asset has been recognised	29,026,473	25,426,397

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 group 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 2017	June 2016
	$	$
Reconciliation of earnings used in calculating basic and diluted loss per share:		
Loss for the year attributable to owners of Tlou Energy Limited	(3,165,323)	(3,065,583)
Loss used in the calculation of the basic and dilutive loss per share	(3,165,323)	(3,065,583)
Weighted average number of ordinary shares used as the denominator		
	Number	Number
Number used in calculating basic and diluted loss per share	245,694,059	197,910,139

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.

Note 6. Cash and Cash Equivalents

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

	Consolidated	
	June 2017	June 2016
	$	$
Cash at bank	6,727,424	1,224,404
	6,727,424	1,224,404

Note 7. Property, Plant and Equipment

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

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

Plant and equipment 3-7 years

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

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

	Consolidated	
	June 2017	June 2016
	$	$
Plant and equipment at cost	1,946,392	1,782,697
Accumulated depreciation	(1,625,653)	(1,338,339)
	320,739	444,358

Movements in Carrying Amounts

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

Balance at the beginning of year	444,358	724,334
Additions	100,664	24,140
Disposals	(788)	(1,069)
Depreciation	(240,961)	(260,564)
Foreign exchange movements	17,466	(42,483)
Carrying amount at the end of year	320,739	444,358

Note 8. Exploration and Evaluation Assets

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. Such expenditures comprise net direct costs and an appropriate portion of related overhead expenditure but do not include overheads or administration expenditure not having a specific nexus with a particular area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and active or significant operations in relation to the area are continuing.

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

	Consolidated	
	June 2017	June 2016
	$	$
Exploration and evaluation assets	49,328,038	46,183,722
	49,328,038	46,183,722
Movements in exploration and evaluation assets		
Balance at the beginning of period	46,183,722	43,559,315
Exploration and evaluation expenditure during the year	1,848,143	4,572,815
Foreign currency translation	1,296,173	(1,948,408)
Balance at the end of period	49,328,038	46,183,722

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.

As at the date of this report, the current terms of the Mamba Prospecting Licences have expired. However, Tlou has applied to extend the term of these Exploration Licences, and they continue in force until a determination is made regarding the application to extend their terms. Accordingly, while Tlou has applied to renew the Mamba Prospecting Licences, there is no certainty that the terms of the licences will be extended.

There is a risk that one of 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 Company is not aware of any reasons why the licences will not be renewed.

Note 9. Other non-current assets

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

	Consolidated	
	June 2017	June 2016
	$	$
Inventory and well consumables	694,402	946,675
	694,402	946,675

Notes to the financial statements (continued)

Note 10. Trade and Other Payables

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

	Consolidated	
	June 2017	June 2016
	$	$
Current		
Trade payables	131,161	151,133
Accruals	278,552	145,793
Other payables	21,319	10,030
	431,032	306,956

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

Note 11. Provisions

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

Restoration

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

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

Rehabilitation

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

Employee benefits

Wages and salaries and annual leave

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

Notes to the financial statements (continued)

Note 11 Provisions (continued)

Long service leave

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

Severance pay

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

	Consolidated	
	June 2017	June 2016
Current	$	$
Employee benefits	42,322	49,136
Employee benefits - Botswana severance	123,871	111,738
	166,193	160,874
Non-current		
Rehabilitation	94,000	94,000
	94,000	94,000

Employee benefits – Botswana Severance

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

Note 12. Contributed equity

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

			Consolidated	
	June 2017	June 2016	June 2017	June 2016
	Shares	Shares	$	$
Opening balance	205,619,292	187,156,319	73,931,569	71,606,519
Issue of ordinary shares during the year*	98,423,556	18,462,973	9,684,461	2,584,816
Share issue costs	-	-	(235,846)	(259,766)
Ordinary shares - fully paid	304,042,848	205,619,292	83,380,184	73,931,569

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

Issue Date	No. of Shares	Issue Price AUD
07-Sep-16	31,578,947	$0.095
07-Apr-17	51,788,334	$0.10
27-Apr-17	8,276,275	$0.10
02-May-17	6,780,000	$0.10

Notes to the financial statements (continued)

Note 12 Contributed equity (continued)

Ordinary shares

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

Options and performance rights

At 30 June 2017, the following options for ordinary shares in Tlou Energy Limited and performance rights were on issue:

Options

Number		Exercise	Expiry
2017	2016	Price	Date
1,500,000	1,500,000	$0.14	29/11/2017
500,000	500,000	$0.14	14/01/2018
2,000,000	2,000,000		

Performance rights:

Vesting Date	Exercise Price	01/07/2016	Issued	Exercised	Expired	30/06/2017
31 January 2017	$0.21	-	2,275,000	-	-	2,275,000
31 January 2017	$0.28	-	2,275,000	-	-	2,275,000
		-	4,550,000	-	-	4,550,000

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 group may seek to issue new shares. Consistent with other exploration companies, the group and the parent entity monitor capital on the basis of forecast exploration and development expenditure required to reach a stage which permits a reasonable assessment of the existence or otherwise of an economically recoverable reserve.

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

The group is not subject to externally imposed capital requirements.

Note 13. Reserves

Foreign Currency Translation Reserve

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

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

Foreign operations

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

Share Based Payments Reserve

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

Note 14. Share-based payments

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

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

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

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

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

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

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

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

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.

The 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 issued during the year are linked to the share price performance of the Company, ensuring alignment with the interests of the Company's shareholders. The Performance Rights have been split into two equal Tranches. For the Performance Rights to vest and, therefore, become exercisable by a participant, certain performance conditions will be 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.

Tranche	Performance Condition
Tranche 1	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.
Tranche 2	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.

Notes:

- The date of shareholder approval was 10 November 2016
- The share price on 10 November 2016 was AUD $0.14
- For Tranche 1 to vest the share price needs to be AUD $0.21 per share or greater for a period of 10 consecutive trading days
- For Tranche 2 to vest the share price needs to be AUD $0.28 or greater for a period of 10 consecutive trading days

Notes to the financial statements (continued)

Note 14 Share based payments (continued)

The expense recognised in the consolidated statement of comprehensive income in relation to share based payments amounts to $423,499 (2016: $16,900). The amount assessed as fair value at the grant date is allocated equally over the period from grant date to vesting date. The fair value at grant date is determined using generally accepted valuation techniques that take into account exercise price, the term of the option or performance rights, the impact of dilution, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield and the risk free rate for the term of the option/performance rights and an appropriate probability weighting to factor the likelihood of the satisfaction of non-vesting conditions.

Inputs used to value the options on issue are as follows:

Grant date	30/11/15	14/01/16
Dividend yield (%)	-	-
Expected volatility (%)	68	68
Risk-free interest rate (%)	1.94	1.94
Expected life of options (years)	2	2
Weighted average share price ($)	$0.14	$0.14
Model used	Black Scholes	Black Scholes

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

	Tranche 1	Tranche 2
Grant date	10/11/16	10/11/16
Expected volatility (%)	100	100
Risk-free interest rate (%)	2.20	2.20
Expected life of (years)	7	7
Weighted average share price ($)	$0.21	$0.28
Model used	Trinomial	Trinomial

The following table shows the number, movements and weighted average exercise price of employee share options outstanding for the 2017 year

Grant Date	*Expiry date*	*Exercise price*	Opening Balance July 2016	Exercised During the Year	Granted During the Year	Expired During the year	Closing Balance June 2017	Vested & Exercisable
30/11/15	29/11/17	$0.14	1,500,000	-	-	-	1,500,000	1,500,000
14/01/16	14/01/18	$0.14	500,000	-	-	-	500,000	500,000
Total			2,000,000	-	-	-	2,000,000	2,000,000
Weighted average exercise price			$0.14	-	-	-	$0.14	$0.14

The weighted average remaining contractual life of share options outstanding at the end of the year was 0.4 years.

The following table shows the number, movements and weighted average exercise price of employee share options outstanding for the 2016 year:

Grant Date	*Expiry date*	*Exercise price*	Opening Balance July 2015	Exercised During the Year	Granted During the Year	Expired During the year	Closing Balance June 2016	Vested & Exercisable
01/07/12	30/04/16	$0.625	10,175,000	-	-	(10,175,000)	-	-
01/04/14	30/04/16	$0.625	400,000	-	-	(400,000)	-	-
30/11/15	29/11/17	$0.14	-	-	1,500,000	-	1,500,000	1,500,000
14/01/16	14/01/18	$0.14	-	-	500,000	-	500,000	500,000
Total			10,575,000	-	2,000,000	(10,575,000)	2,000,000	2,000,000
Weighted average exercise price			$0.63	-	$0.14	$0.63	$0.14	$0.14

The weighted average remaining contractual life of share options outstanding at the end of the year was 1.4 years.

Notes to the financial statements (continued)

Note 14 Share based payments (continued)

The following table shows the number, movements and exercise price of performance rights for the 2017 year. There were no performance rights in the prior year.

		Movements				
Vesting Date	Exercise Price	01/07/2016	Issued	Exercised	Expired	30/06/2017
31 January 2017	$0.21	-	2,275,000	-	-	2,275,000
31 January 2017	$0.28	-	2,275,000	-	-	2,275,000
		-	4,550,000	-	-	4,550,000

Expenses arising from share-based payment transactions

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

	Consolidated	
	June 2017	June 2016
	$	$
Performance rights	423,499	-
Options expensed	-	16,900
Options capitalised	-	80,101
	423,499	97,001

Note 15. Commitments

Leases

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

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

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

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

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

Operating lease commitments

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

	Consolidated	
	June 2017	June 2016
Payable - minimum lease payments	$	$
● not later than 12 months	5,250	5,250
● between 12 months and 5 years	-	-
	5,250	5,250

Notes to the financial statements (continued)

Note 15 Commitments (continued)

Exploration expenditure:

In order to maintain an interest in the exploration tenements in which it is involved, the group 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 group. These conditions can include proposed expenditure commitments. The timing and amount of exploration expenditure obligations of the group may vary significantly from the forecast based on the results of the work performed, which will determine the prospectivity of the relevant area of interest. The group's proposed expenditure obligations, which are not provided for in the financial statements are as follows:

	Consolidated	
	June 2017	June 2016
Minimum expenditure requirements	$	$
● not later than 12 months	1,637,420	25,668,594
● between 12 months and 5 years	2,637,363	-
	4,274,783	25,668,594

The minimum expenditure requirements at 30 June 2017 do not include commitment in relation to Prospecting licence PL002/2004. In August 2017, post year end, this Prospecting Licence was converted to a mining licence with no minimum expenditure requirement outlined in the mining licence, hence the reason for excluding the figure in the above amounts.

Five of the Group's prospecting licences referred to as the Mamba permits expired at 30 June 2017. Renewal applications were submitted in March 2017, however confirmation of whether renewal was successful or not has not been received at the date of this report. The issuing authority have confirmed that they will extend the licences to 30 September 2017, by which time they expect to have the renewal applications assessed. There was no additional commitment amount outlined in the extension document so the above figures do not include any expenditure relating to the Mamba permits.

Note 16. Financial instruments

Overview

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

This note presents information about the group'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 group holds the following financial instruments:

	Consolidated	
	June 2017	June 2016
Financial Assets	$	$
Cash and cash equivalents	6,727,424	1,224,404
Trade and other receivables	100,674	290,431
	6,828,098	1,514,835
Financial Liabilities		
Trade and other payables	431,032	306,956
	431,032	306,956

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.

Notes to the financial statements (continued)

Note 16 Financial instruments (continued)

Financial risk management objectives (continued)

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 group's financial risk management policy is to support the delivery of the group's financial targets whilst protecting future financial security.

Given the nature and size of the business and uncertainty as to the timing and amount of cash inflows and outflows, the group does not enter into derivative transactions to mitigate the financial risks. In addition, the group's policy is that no trading in financial instruments shall be undertaken for the purpose of making speculative gains. As the group'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 group's financial risks as summarised below. These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits.

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

(a) Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at reporting date whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The group 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
	$	$	$	$
Consolidated - 30 June 2017				
Cash and cash equivalents	67,274	(67,274)	67,274	(67,274)
Consolidated - 30 June 2016				
Cash and cash equivalents	12,244	(12,244)	12,244	(12,244)

Interest rate risk on other financial instruments is immaterial.

Notes to the financial statements (continued)

Note 16 Financial instruments (continued)

(b) Liquidity risk

Liquidity risk is the risk that the group 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 group will always have sufficient liquidity to meet its obligations when due.

Ultimate responsibility for liquidity risk management rests with the Board of Directors. The group 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 group held cash of $6,727,424 (2016: $1,224,404).

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

	Within 1 Year	Between 1 & 2 years	Total Contractual Cash Flows	Carrying Amount
Consolidated - 30 June 2017	$	$	$	$
Trade and other payables	431,032	-	431,032	431,032
Consolidated - 30 June 2016				
Trade and other payables	306,956	-	306,956	306,956

(c) Foreign exchange risk

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

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

The group currently does not engage in any hedging or derivative transactions to manage foreign currency risk. The group's policy is to generally convert its local currency to Pula, Rand or US dollars at the time of transaction. The group, 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 group. This practice is expected to be the exception, rather than the normal practice.

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

	2017 USD	2017 Pula	2017 SA Rand	2016 USD	2016 Pula	2016 SA Rand
	$	$	$	$	$	$
Financial Assets						
Cash and cash equivalents	20,603	105,567	36,377	21,279	100,871	8,976
Trade and other receivables	-	78,337	-	-	28,313	-
Financial Liabilities						
Trade and other payables	-	(112,508)	-	-	(154,024)	-
Net Financial Instruments	20,603	71,396	36,377	21,279	(24,840)	8,976

Notes to the financial statements (continued)

Note 16 Financial instruments (continued)

Foreign currency rate sensitivity

Based on financial instruments held at 30 June 2017, had the Australian dollar strengthened/weakened by 10% the group's profit or loss and equity would be impacted as follows:

	Profit or loss		Equity	
	10% Increase	10% Decrease	10% Increase	10% Decrease
2017	$	$	$	$
Dollar (US)	(2,060)	2,060	(2,060)	2,060
Pula (Botswana)	(7,140)	7,140	(7,140)	7,140
Rand (South Africa)	(3,638)	3,638	(3,638)	3,638
2016				
Dollar (US)	(2,182)	2,182	(2,182)	2,182
Pula (Botswana)	2,484	(2,484)	2,484	(2,484)
Rand (South Africa)	(898)	898	(898)	898

(d) Credit risk

Credit risk is the risk of financial loss to the group 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 group 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 group trades with recognised, creditworthy third parties. The receivable balances are monitored on an ongoing basis. The group's exposure to bad debts is not significant. At 30 June 2017, none (2016: nil) of the group's receivables were past due.

Cash and cash equivalents

The group 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 mostly used and non AAA banks are utilised where commercially attractive returns are available.

Note 17. Key Management Personnel

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

Detailed remuneration disclosures are provided in the remuneration report on pages 13 to 19.

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:

	Consolidated	
	June 2017	June 2016
	$	$
Short-term employee benefits	653,675	885,565
Post-employment benefits	54,796	55,012
Other long-term benefits	23,730	28,063
	732,201	968,640
Share based payments	342,375	-
	1,074,576	968,640

Note 18. Auditors' Remuneration

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

	Consolidated	
	June 2017	June 2016
	$	$
Audit services		
Auditing or reviewing the financial statements - BDO Australia	55,000	48,500
Auditing or reviewing the financial statements - BDO Botswana	25,214	25,088
	80,214	73,588
Non-audit services - BDO Australia		
Tax consulting and compliance services	10,172	16,132
AIM listing	-	36,983
	10,172	53,115
Total	90,386	126,703

Note 19. Contingent Liabilities

The Directors are not aware of any contingent liabilities (2016: nil).

Notes to the financial statements (continued)

Note 20. Related Party Transactions

Parent entity

The legal parent entity is Tlou Energy Limited.

Subsidiaries

Interests in subsidiaries are set out in note 23.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2017	2016
	$	$
Payment for goods and services:		
Office rent paid to The Gilby McKay Alice Street Partnership, a director-related entity of Anthony Gilby.	21,000	46,500

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

Current payables:		
Trade payables to The Gilby McKay Alice Street Partnership, a director-related entity of Anthony Gilby	1,925	1,925

Loans to/from related parties

There were no loans to or from related parties at the reporting date or during the year.

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.

Note 21. Segment Reporting

Reportable Segments

Operating segments are identified on the basis of internal reports that are regularly reviewed by the executive team in order to allocate resources to the segment and assess its performance.

The Company currently operates in one segment, being the exploration, evaluation and development of Coalbed Methane resources in Southern Africa.

Segment revenue

As at 30 June 2017 no revenue has been derived from its operations (2016: nil).

Segment assets

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

	June 2017	June 2016
	$	$
Botswana	50,341,366	47,574,122
Australia	1,813	633
	50,343,179	47,574,755

Notes to the financial statements (continued)

Note 22. Cash Flow Information

	Consolidated	
	June 2017	June 2016
	$	$
Reconciliation of cash flow from operations		
Loss for the period	(3,165,323)	(3,065,583)
Depreciation	240,961	260,564
Share-based payments	423,499	97,001
Salaries and fees paid in equity	-	(97,000)
Loss on disposal	788	-
Net exchange differences	37,181	247,007
Changes in operating assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
Decrease/(increase) in trade and other receivables	189,757	(68,487)
Decrease/(increase) in other assets	-	431,342
Increase/(decrease) in trade payables and accruals	(112,369)	(165,192)
Decrease/(increase) in employee benefits	35,318	170,322
Increase/(decrease) in provisions	5,319	(113,220)
	(2,344,869)	(2,303,246)

Note 23. Subsidiaries

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

Name of entity	Country of incorporation	Class of shares	Equity holding %	
			June 2017	June 2016
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
Aguia Energy Limitada	Mozambique	Ordinary	-	100
Mica Investments (Barbados) Inc	Barbados	Ordinary	-	100
SK Holdings (Barbados) Inc	Barbados	Ordinary	-	100
Tlou South Karoo (Proprietary) Limited	Botswana	Ordinary	-	100
Apex Resources No. 2 Inc	Barbados	Ordinary	-	100
Apex Resources Holdings No. 2 Corp	British Virgin Islands	Ordinary	-	100
Tembo Holdings Inc	British Virgin Islands	Ordinary	-	100

Notes to the financial statements (continued)

Note 24. Subsequent Events

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 25. Parent entity disclosures

	Parent	
	June 2017 $	June 2016 $
Current assets	6,640,713	1,411,310
Non-current assets	30,215,563	30,214,384
Total assets	36,856,276	31,625,694
Current liabilities	330,900	173,688
Total liabilities	330,900	173,688
Net assets	36,525,376	31,452,006
Contributed equity	83,380,184	73,931,569
Share based payment	520,499	2,159,745
Accumulated losses	(47,375,307)	(44,639,308)
Total equity	36,525,376	31,452,006
Loss for the period	2,735,999	2,598,498
Total comprehensive income	2,735,999	2,598,498

Commitments, Contingencies and Guarantees of the Parent Entity

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

Directors' declaration

In the Directors' opinion:

- the attached financial statements and notes thereto comply with the *Corporations Act 2001*, the Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2017 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 2017 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
11 September 2017

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INDEPENDENT AUDITOR'S REPORT

To the members of Tlou Energy Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Tlou Energy Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

Material uncertainty related to going concern

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

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Key audit matters

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

Carrying value of exploration and evaluation assets

Key audit matter	*How the matter was addressed in our audit*
The group carries significant exploration and evaluation assets of $49,328,038 as at 30 June 2017 as disclosed in note 8 to the financial statements. The carrying value of exploration and evaluation assets represents a significant asset of the company and assessing whether facts or circumstances exist to suggest that impairment indicators were present, and if present, whether the carrying amount of this asset may exceed its recoverable amount was considered key to the audit. This assessment involves significant judgement applied by management. We considered it necessary to assess whether facts and circumstances existed to suggest that impairment indicators were present, and if present, whether the carrying amount of these assets may exceed its recoverable amount.	Our procedures included, but were not limited to, assessing and evaluating management's assessment of whether any impairment indicators in accordance with AASB 6 *Exploration for and Evaluation of Mineral Resources* have been identified across the Group's exploration projects, the indicators being: • Expiring, or imminently expiring, rights to tenure • A lack of budgeted or planned exploration and evaluation spend on the areas of interest • Discontinuation of, or a plan to discontinue, exploration activities in the areas of interest • Sufficient data exists to suggest carrying value of exploration and evaluation assets is unlikely be recovered in full through successful development or sale. We verified current tenement licences to determine that the group has the rights to tenure and maintains the tenements in good standing. We obtained the expenditure budget for the 2018 year and assessed that there is reasonable forecasted expenditure to confirm continued exploration spend into the projects indicating that Management are committed to the projects. We also reviewed ASX announcements and Board meeting minutes for the year and subsequent to year end for exploration activity to identify any indicators of impairment.

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Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the directors for the Financial Report

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

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

Auditor's responsibilities for the audit of the Financial Report

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

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

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

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Report on the Remuneration Report

Opinion on the Remuneration Report

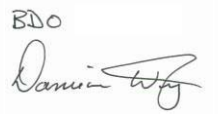
We have audited the Remuneration Report included in pages 13 to 19 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Tlou Energy Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

BDO Audit Pty Ltd



D P Wright
Director

Brisbane, 11 September 2017

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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 Corporate Governance Principles and Recommendations with 2014 amendments (3nd Edition) ("3rd Edition Recommendations or ASX Recommendations") established by the ASX Corporate Governance Council (the "Council").

This statement outlines the key aspects of Tlou Energy's governance framework and practices. The charters, policies and procedures are reviewed regularly and updated to comply with the law and best practice. This statement contains specific information and discloses the extent to which the Company intends to or is able to follow the 3rd Edition Recommendations. The charters and policies of the Company can be viewed on Tlou Energy's website at 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 2017 its practices are largely consistent with those of the 3rd 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 11th of September 2017 and has been approved by the Board of Directors.

Role of the Board

The Board is responsible for ensuring that the Company is managed effectively. 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. An example of this has been the appointment, since the end of the reporting period of two independent non-executive directors. The Board has adopted a Charter which sets out the responsibilities of the Board and its structure and governance as well as the matters expressly reserved to the Board and those delegated to management. A copy of the Charter is available on the Company's website.

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

(ASX Recommendation 1.1)

The Board of Directors

The Board is currently comprised of six (6) Directors. Details of the Directors who held office during the year under review and those that have been appointed subsequent are namely:

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

The skills, experience and expertise relevant to the position of each Director are set out in the Directors' Report of this Annual Report. Prior to the appointment of a person, or putting forward to shareholders a candidate for election, as a director, the Company undertakes checks which it believes are appropriate to verify a director's character, experience, educations, criminal record and bankruptcy history. The Company will ensure that all material information in its possession relevant to a shareholders decision to elect or re-elect a director is provided to 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 no formal agreements with the non-executive directors other than their Deeds of Access and Indemnity. Given the size and operations of the Company at this stage and the experience and skills that the non-executive directors possess the Board does not believe that there would be any benefit to the Company in doing so.

(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.

(ASX Recommendation 1.4)

Diversity Policy

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

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

(ASX Recommendation 1.5)

Improvement in Board processes and effectiveness is a continuing objective and the purpose of the annual Board evaluation is to identify ways to improve performance. The Board has appointed the Chairman as the person responsible for conducting an annual review of the Board's performance.

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

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

During the reporting period, a review of the Boards performance was carried out by the Chairman.
(ASX Recommendation 1.6)

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

An executive management review has been carried out for the current reporting period.
(ASX Recommendation 1.7)

Structure of Board to Add Value

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

The composition and size of the Board is determined so as to provide the Company with a broad base of industry, business, technical, administrative, financial and corporate skills and experience considered necessary to achieve the strategic objectives of the Company taking into consideration the size of the Company and the nature of its current operations. During the current reporting period, the make-up of the Board has been bolstered by the appointment of two independent non-executive Directors

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 3rd Edition Recommendations. The Board is of the view that the existence of one or more of the relationships in the definition will necessarily result in the relevant Director not being classified as independent, particularly given the criteria outlined above, and that the Company will seek to implement additional safeguards to ensure independence. An overall review of these considerations is conducted by the Board to determine whether individual Directors are independent.

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

ASX Recommendation 2.4 requires 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 the current Directors, excluding Martin McIver 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) if applying the independence criteria in the Principles is considered to be independent.

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

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

Notwithstanding that these 3rd Edition Recommendations in respect to the composition of the Board are not strictly followed (majority of the Board to be independent) the Company believes that some significant progress to achieving this objective has been made this year and given its history and the formation of the Board reflects certain founding members, it is not practical at this stage to have a majority of independent Directors. Therefore, the Board takes the view that the interests of the Shareholders are best served with the Board's present composition and has resolved that the situation will continue to be monitored as the operations of the Company evolve and appoint appropriately qualified independent Directors as the opportunities and necessity arise.

(ASX Recommendation 2.3)

The Board has established a Nomination & Remuneration Committee which regularly reviews Board membership. This includes considering what other skills that might be necessary for the Company to reach its strategic objectives. Due to the size of the Company the composition of the Committee does not comply with the ASX Recommendation 2.1. However, it is intended that now that the Board has acquired two more independent non-executive directors before the Committee meets again its membership will be reviewed and updated by the Board. A copy of the Nomination & Remuneration Committee Charter is located on the website.

The Committee's members, the number of times that they have met throughout the reporting period and the member's attendance at those meetings is recorded in the section of the 2017 Annual Report headed "Directors Report".

(ASX Recommendation 2.1)

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

(ASX Recommendation 2.2)

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

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

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

(ASX Recommendation 2.6)

Board Charter

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

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 of this entitlement during the year under review.

Committees

Audit Committee, Risk Committee and Nomination & Remuneration 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 Nomination & Remuneration 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 an Audit Committee. The Audit Committee is currently made up of the following members:

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

Act Ethically and Responsibly

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

(ASX Recommendation 3.1)

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

All Directors and Senior Executives will:

1. Actively promote the highest standards of ethics and integrity in carrying out their duties for the Company;

2. Disclose any actual or perceived conflicts of interest of a direct or indirect nature of which they become aware and which they believe could compromise in any way the reputation or performance of the Company;

3. Respect confidentiality of all information of a confidential nature which is acquired in the course of the Company's business and not disclose or make improper use of such confidential information to any person unless specific authorisation is given for disclosure or disclosure is legally mandated;

4. Deal with the Company's suppliers, contractors, competitors and each other with the highest level of honesty, fairness and integrity and to observe the rule and spirit of the legal and regulatory environment in which the Company operates;

5. Report any breach of this code of conduct or other inappropriate or unethical conduct to the appropriate authority within the Group; and

6. This Code of Conduct is in addition to the Code of Conduct for all employees which has been adopted by the Board of the Company.

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

(ASX Recommendation 3.1)

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 the Company and assist in maintaining market confidence in the integrity of dealings in Tlou Energy securities. The Policy is posted on the Company's website to ensure that there is public confidence and understanding of the Company's policies governing trading by "potential insiders".

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

Safeguard Integrity in Financial Reporting

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

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

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

Structure of the Audit Committee and Charter

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

During the reporting period, the Committee appointed by the Board did not comply with this recommendation as it comprised only one non-executive Director and two executive directors of which only one is considered independent in accordance with the definition of independence prescribed by the ASX Corporate Governance Independence Criteria. Subsequent to the report period the Company appointed an additional non-executive directors to the Committee, with that director assuming the role as chair of the Committee.

Colm Cloonan and Anthony Gilby are the members of the Committee who is not currently a non-executive director. At the time of his original appointment to the Committee Mr. Gilby was a non-executive director but has since been appointed the Managing Director.

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

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

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

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

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

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

The role of the Audit Committee is to: -

(a) monitor the integrity of the financial statements of the Company, by reviewing significant financial reporting judgements;

(b) review the effectiveness of the Company's internal financial control system and, unless expressly addressed by a separate Risk Committee or by the Board itself, risk management systems;

(c) monitor and review the effectiveness of the Company's internal audit function;

(d) monitor and review the external audit function including matters concerning appointment and remuneration, independence and non-audit services;

(e) perform such other functions as assigned by law, the Company's constitution, or the Board;

(f) approve the corporate governance section of the Company's Annual Report relating to the Committee and its responsibilities; *and*

(g) review compliance with legal and regulatory requirements.

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

As a matter of practice the Chief Executive Officer and the Chief Financial Officer are required to make declarations in accordance with section 295A of the Corporations Act that the Company's financial reports present a true an 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 Auditor's lead engagement partner attended the Company's 2016 Annual General Meeting. There were no questions from shareholders about the conduct of the audit and the preparation and content of the auditor's report for year ended 30 June 2016.

(ASX Recommendation 4.3)

Make Timely and Balanced Disclosure

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

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

Methods of communication currently employed include:

- Shareholder Updates
- Quarterly Reports
- Half Yearly Reports

- Annual Reports; and
- Face to face Shareholder presentations

Continuous Disclosure

The Company is a "disclosing entity" pursuant to section 111AR of the Corporations Act and, as such, complies with the continuous disclosure requirements of Chapter 3 of the ASX Listing Rules and section 674 of the Corporations Act. Subject to the exceptions contained in the ASX Listing Rules, the Company is required to disclose to ASX any information concerning the Company which is not generally available and which a reasonable person would expect to have a material effect on the price or value of the Shares.

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

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

The Company Secretary has primary responsibility for discharging the Company's continuous disclosure obligations to the ASX. All officers and employees must immediately notify the Company Secretary of any material information which may need to be disclosed under Listing Rule 3.1-3.1B. Where uncertainty arises as to the meeting of continuous disclosure obligations, the Company Secretary may seek external legal advice.

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 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. Effective participation by Shareholders is encouraged at general meetings and procedures have been designed to facilitate this including online voting and the ability of stakeholders to subscribe to receive copies of announcements and reports that are released by the Company.
(ASX Recommendation 5.1)

Respect the Rights of Security Holders

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

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

The policy regarding shareholder communication and engagement sets out the processes the Company has in place to facilitate and encourage the participation of shareholders and other investors at meetings and to engage with management. These include encouraging shareholders to attend the AGM and allowing them to vote on line 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.
(ASX Recommendation 6.4)

Recognition and Management of Risk

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

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

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

The members of the Risk Committee are appointed by the Board, two of whom 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 a 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.

(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.

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 Nomination & Remuneration 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 Nomination & Remuneration Committee and have adopted a Nomination & Remuneration Charter. As a result of the recent appointments to the Board the Company expects that the Nomination & Remuneration Committee will in the future 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 Nomination & 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 Nomination & Remuneration Committee and their attendances at the meetings of the Committee 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 Nomination & Remuneration Committee Charter and in the Remuneration Report contained in the 2017 Annual Report.

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

(ASX Recommendation 8.2)

The Company has an equity based remuneration scheme, although no shares have been issued through the same since the listing of the Company. The Company's Policy for Trading in the Company's Securities does not specifically prohibit Directors entering into transactions or arrangement s which would limit the economic risk of unvested entitlements.

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

(ASX Recommendation 8.3)

Additional Information

1. Shareholder Information

The shareholder information set out below was applicable as at 24 August 2017 and relates to shares held on the ASX. Depositary Interests on London's AIM market are included as one holder 'Computershare Clearing Pty Ltd'.

2. Ordinary Share Capital

304,042,848 fully paid ordinary shares.

3. Number of Equity Holders

Ordinary Share Capital held by 462 individual 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	12	2,436	2.6
1,001	-	5,000	34	125,485	7.4
5,001	-	10,000	47	368,947	10.2
10,001	-	50,000	146	4,006,586	31.6
50,001	-	100,000	59	4,539,491	12.8
100,001	-	maximum	164	294,999,903	35.5
			462	304,042,848	100

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
Investor Group - Anthony Gilby	17,946,487	5.9
Investor Group - Nathan Mitchell	16,680,814	5.5

7. The 20 Largest Holders of Ordinary Shares

	Ordinary Shares Held	% of Issued Capital
Computershare Clearing Pty Ltd <CCNL DI A/C>	11,136,364	3.66
Mitchell Group Holdings Pty Ltd	10,854,240	3.57
Gilby Super Pty Ltd <Gilby Superannuation Fund>	10,513,416	3.46
Citicorp Nominees Pty Limited	8,163,614	2.69
HSBC Custody Nominees (Australia) Limited	8,033,310	2.64
J P Morgan Nominees Australia Limited	7,115,000	2.34
IK Botswana Investments Pty Ltd	4,994,401	1.64
Mr Christopher John Blamey & Mrs Anne Margaret Blamey <ACB Super Fund A/C>	4,775,105	1.57
Gilby Resources Pty Ltd <Gilby Investment A/C>	4,674,809	1.54
Dynamic Supplies Investments Pty Ltd	3,300,000	1.09
Liath Pty Ltd <The Liath A/C>	2,913,650	0.96
Mitchell Family Investments (Qld) Pty Ltd <Mitchell Family Inv A/C>	2,850,909	0.94
BNP Paribas Nominees Pty Ltd <Jarvis A/C Non Treaty Drp>	2,513,875	0.83
Heath Self Managed Superannuation Pty Ltd <Heath Super Fund A/C>	2,500,000	0.82
Nathan Mitchell <Mitchell Family Super Fund>	2,000,000	0.66
Portland Australia Pty Ltd	1,986,125	0.65
Heath Self Managed S/F Pty Ltd <Heath Self Managed S/F A/C>	1,897,042	0.62
Rag Superannuation Pty Ltd	1,750,476	0.58
David Royds	1,695,330	0.56
Anthony Gilby	235,041,859	77.31
Total	69,000,989	22.69
Balance of register	304,042,848	100.00
Grand total		

8. Restricted Securities

There were no restricted securities issued during the reporting period and there are currently none on issue.

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

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

PL	Region	interest % *	Operator
1/2004	Lesedi Project (Botswana)	100%	Tlou Energy Botswana Pty Ltd
3/2004	Lesedi Project (Botswana)	100%	Tlou Energy Botswana Pty Ltd
35/2000	Lesedi Project (Botswana)	100%	Tlou Energy Botswana Pty Ltd
37/2000	Lesedi Project (Botswana)	100%	Tlou Energy Botswana Pty Ltd
237/2014	Mamba Project (Botswana)	100%	Tlou Energy Botswana Pty Ltd
238/2014	Mamba Project (Botswana)	100%	Tlou Energy Botswana Pty Ltd
239/2014	Mamba Project (Botswana)	100%	Tlou Energy Botswana Pty Ltd
240/2014	Mamba Project (Botswana)	100%	Tlou Energy Botswana Pty Ltd
241/2014	Mamba Project (Botswana)	100%	Tlou Energy Botswana Pty Ltd
Mining Licence	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.

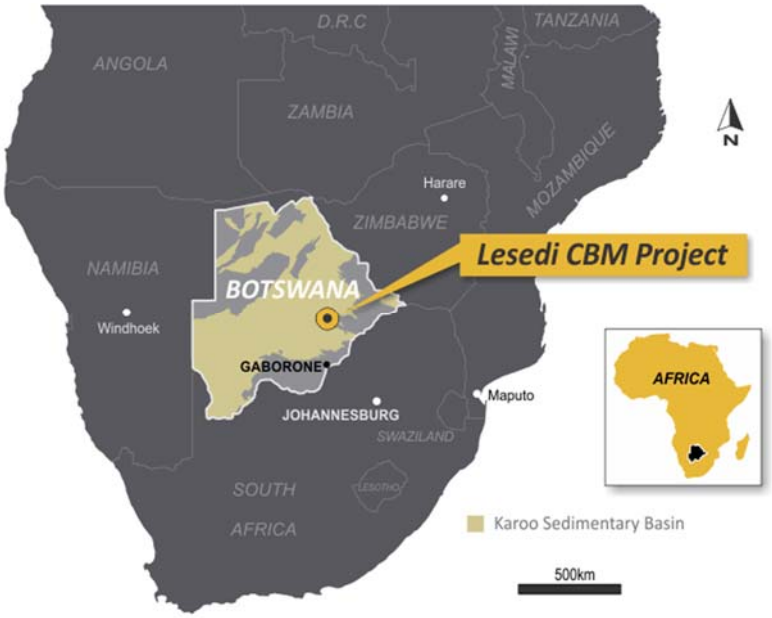
ANNEXURE C – COMPETENT PERSON'S REPORT

Competent Person's Report

TLOU ENERGY

Report Prepared for

Tlou Energy Ltd



Report Prepared by

SRK Consulting (Australasia) Pty Ltd

Project No: TLO007

November 2017

Competent Person's Report

210 Alice Street
Brisbane, Queensland
4000

TLOU ENERGY

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SRK Project Number TLO007

November 2017

Complied by:

Dr Bruce McConachie
Associate Principal Consultant

Peer Reviewed by:

Jeames McKibben
Principal Consultant

Email: bmcconachie@srk.com.au

Authors: Dr Bruce McConachie, Anargul Kushkarina (SPE Certified)

Executive Summary

SRK was requested by Mr Solomon Rowland, Company Secretary and Legal Counsel of Tlou Energy Limited (Tlou), to provide a Competent Person's Report. This report includes a description of the nature of Tlou's rights of exploration within the Lesedi and Mamba Project areas in eastern Botswana; a statement on an environmental management programme as required by the Mines and Minerals Act (CAP 66:01), and description of historical and future exploration activities.

Tlou Energy (Tlou) 100% owns and operates nine prospective coalbed methane (CBM) licences and a mining licence in Botswana. These licences are located in the Karoo-Kalahari Basin, which contains a significant proportion of Southern Africa's coal deposits. Tlou is currently production testing horizontal pilot wells within the Lesedi project area. The Lesedi project is the most advanced CBM project in the region with work-to-date underpinning Reserves, Contingent Resources and Prospective Resources bookings with respect to the CBM reservoirs.

The most recent work in the Lesedi project area consists of horizontal pilot well drilling. Horizontal wells were drilled in 2013 and 2015, with dewatering and pilot production testing currently ongoing. A Contingent Resource booking was determined by SRK in early 2015, and applies to the PL001/2004 and PL002/2004 (now ML002/2004) licenses only. In 2016, SRK reviewed the pilot production and assessed the economic potential of the Selemo Gas Project and provided an assessment of the Selemo Project Gas Reserves (gross, 100%) as at 26th September 2016 based on the field characteristics over the extended gas pilot production area. In February 2017, SRK provided an update on Reserves estimation based on assessment of updated pilot production data and modelled likely contiguous fairway area of Lower Morupule.

With an EIS in place, Tlou submitted a Mining Licence application to Botswana's Department of Mines in the Ministry of Mineral Resources, Green Technology and Energy Security. In August 2017, Tlou received notification that the application had been successful and the Mining Licence was granted.

Future work already started comprises 2D seismic acquisition and core drilling along with gas sampling that will enable planning refinements to maximise the economic return from future gas development drilling.

Disclaimer

The results presented in this Report are based on information supplied to SRK Consulting (Australasia) Pty Ltd (SRK) by Tlou Energy Limited (Tlou).

SRK has exercised all due care in reviewing the supplied information. Whilst SRK has compared key supplied data with expected values and independently verified as much information as possible, the accuracy of the results and conclusions from the review are entirely reliant on the accuracy and completeness of the supplied data. SRK does not accept responsibility for any errors or omissions in the supplied information and does not accept any consequential liability arising from commercial decisions or actions resulting from them.

Neither SRK nor any of the authors of this Report has any beneficial interest in the outcome of the technical assessment presented. SRK's fee for completing this Report is based on its normal professional daily rates plus reimbursement of incidental expenses. The payment of that professional fee is not contingent upon the outcome of the Report.

Consent

The purpose of the current report is to accompany the Tlou submission to the Botswana Listing Authority. Neither the whole nor any part of this report nor any reference to it may be included in or with or attached to any other document, circular, resolution, letter or statement without the prior written consent of SRK.

List of Abbreviations

Abbreviation	Meaning
AAPG	American Association of Petroleum Geologists
AFE	Application for Expenditure
bbl	barrel
Bscf	billions of cubic feet
BDC	Botswana Development Corporation
CBM	coal bed methane (Sometimes CSG coal seam gas)
cc/g	cubic centimetres per gram
daf	dry ash free
EUR	estimated ultimate recovery
g/cc	grams per cubic centimetre
GC	gas content
GJ	Gigajoule
Kg	kilogram
Km	kilometres
km^2	square kilometres
kPa	kilopascals
M	million
m	metres
Mscf/d	millions of cubic feet per day
mD	millidarcies
MMCF	millions of cubic feet
MMCFD	millions of cubic feet per day
MPa	megapascals
OGIP	original gas-in-place
PL	petroleum license
psi/ft	pounds per square inch per foot
Rv (max)	mean maximum vitrinite reflectance
SPE	Society of Petroleum Engineers
SPEE	Society of Petroleum Evaluation Engineers
SRK	SRK Consulting (Australasia) Pty Ltd
T	tonne
TJ	Terrajoule
TMI	total magnetic intensity
TVD	true vertical depth
VD	vertical derivative

Statement of Competency

Dr Bruce Alan McConachie

Dr Bruce Alan McConachie is a geologist with extensive experience in economic resource evaluation and exploration. His career spans over 30 years and includes production, development and exploration experience in petroleum, coal, bauxite and various industrial minerals.

Work history includes:

- Comalco: 15 years (Rio Tinto-Alcan) - Chemist, Mine Geologist, Planning Engineer, Senior Geologist and Team Leader (Petroleum Group).
- Australian Geological Survey Organisation / Bureau of Mineral Resources: 2½ years (Geoscience Australia) - Senior Research Scientist (Petroleum Systems Petrel Sub-basin Project).
- Santos: 7 years - Senior Geologist, Team Leader and Chief Geologist – Indonesia.
- BHP Billiton: 2½ years - Global Bauxite Commodity Specialist and Manager Bulk Commodities.
- SRK Consulting: 9 years – Principal Consultant and Associate Principal Consultant.

Experience:

Extensive relevant experience covering petroleum exploration programs, joint venture management, farm-in and farm-out deals, onshore and offshore operations, field evaluation and development, oil and gas production and economic assessment, and relevant experience assessing petroleum Resources and Reserves under the PRMS code and mineral commodities under the JORC Code.

Industry Group Memberships:

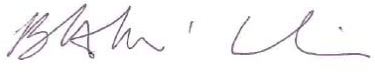
- The Australasian Institute of Mining and Metallurgy (AusIMM) – 30 Years.
- Member American Association of Petroleum Geologists – 12 Years.
- Member of Society of Petroleum Engineers (SPE) – 6 years.

Qualifications:

- Graduate degrees in geology and analytical chemistry.
- Master of Applied Science by research and thesis on the coal geology of the Bowen Basin, Queensland.
- Doctor of Philosophy by dissertation on foreland and fold belt basin analysis to characterise petroleum and mineral systems and deposits.

My qualifications and experience meet the requirements to act as a Competent Person to report petroleum Reserves under PRMS (2007) and as a Specialist to value assets under the VALMIN Code (2015).

The data and interpretations presented in this document accurately reflect my view of the Tlou Energy Limited gas assets that are the subject of the report.



Dr Bruce Alan McConachie

1 Property Title

1.1 Tlou CBM Licences

Tlou Energy (Tlou) has a 100% interest in nine CBM prospecting licences and a mining licence in the Central Karoo and Mamba project areas in Botswana with a total area of 8,547 km^2 in the Permian Karoo Basin. Tlou has operated and owned equity in the Lesedi project area since 2009. In July 2014, Tlou added the Mamba licence area to its CBM exploration acreage portfolio. The location map is presented summarises the CBM licences held by Tlou.

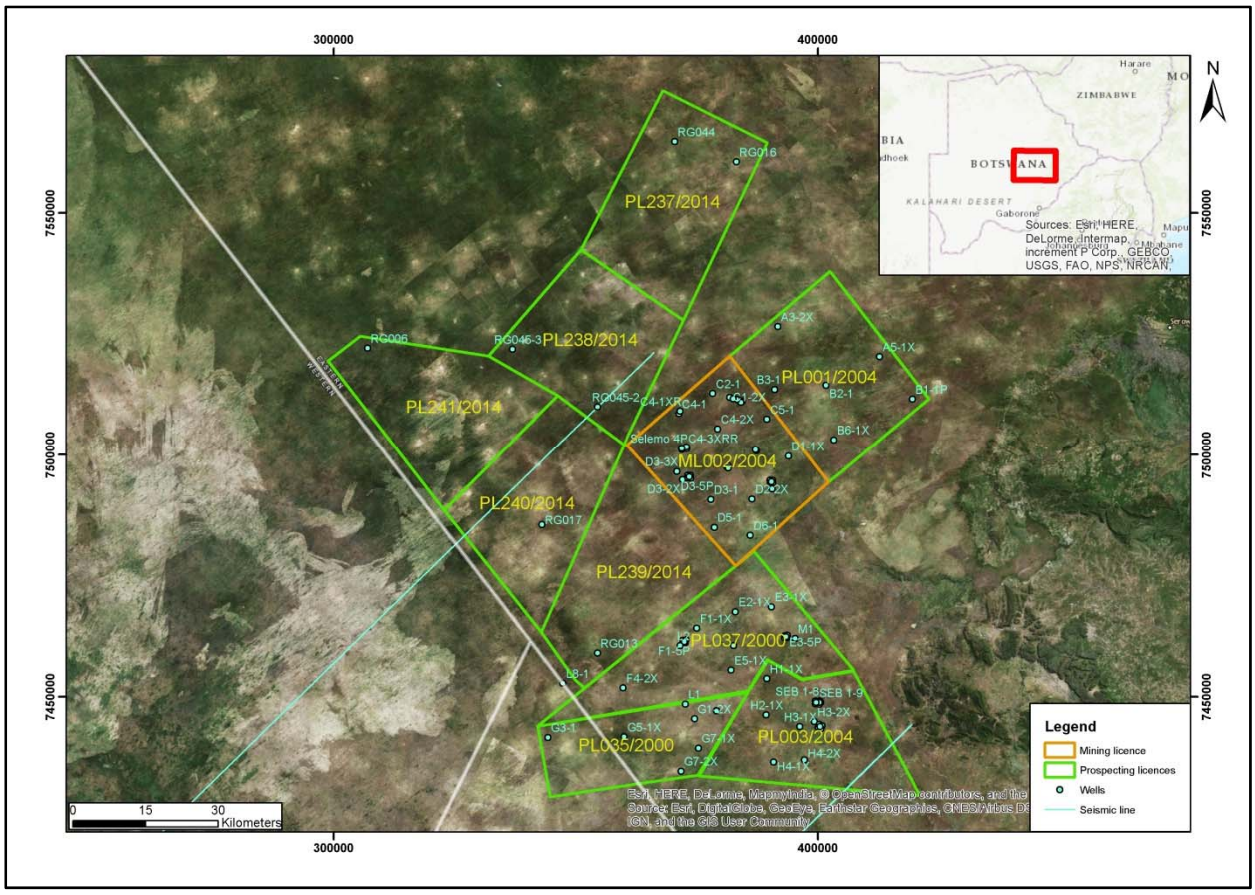


Figure 0-1: Location map of petroleum licences operated by Tlou

Table 0-1: Summary of prospecting licences for coal and coal bed methane in good standing order hold by Tlou

Licence No.	Status	Valid from	Valid to	Company
PL001/2004	4th Extension	1st April 2017	31st March 2019	Tlou Energy Resources (Pty) Ltd (formerly Saber Energy (Pty) Ltd)
ML002/2004	Mining Licence	21st August 2017	20th August 2042	Tlou Energy Resources (Pty) Ltd (formerly Saber Energy (Pty) Ltd)
PL003/2004	4th Extension	1st April 2017	31st March 2019	Tlou Energy Resources (Pty) Ltd (formerly Saber Energy (Pty) Ltd)
PL035/2000	4th Extension	1st October 2016	30th September 2018	Tlou Energy Resources (Pty) Ltd (formerly Saber Energy (Pty) Ltd)
PL037/2000	4th Extension	1st October 2016	30th September 2018	Tlou Energy Resources (Pty) Ltd (formerly Saber Energy (Pty) Ltd)
PL237/2014	2nd Term	1st July 2017	30th June 2019	Tlou Energy Solutions (Pty) Ltd
PL238/2014	2nd Term	1st July 2017	30th June 2019	Tlou Energy Solutions (Pty) Ltd
PL239/2014	2nd Term	1st July 2017	30th June 2019	Tlou Energy Solutions (Pty) Ltd
PL240/2014	2nd Term	1st July 2017	30th June 2019	Tlou Energy Solutions (Pty) Ltd
PL241/2014	2nd Term	1st July 2017	30th June 2019	Tlou Energy Solutions (Pty) Ltd

With the EIS in place, post-year end Tlou submitted a Mining Licence application to Botswana's Department of Mines in the Ministry of Mineral Resources, Green Technology and Energy Security. In August 2017, Tlou received notification that the application had been successful and the Mining Licence was granted. This was the first CBM mining licence granted in Botswana, with the Mining Licence covering a large area of approximately 900 km².

The material terms and information included in the Mining Licence (as announced on 31 August 2017) are:

The Mining Licence has been issued in terms of Section 41 of the Mines and Minerals Act of Botswana.

The licence grants the holder the right to produce CBM natural gas in the approved Mining Licence area for a term of 25 years commencing on 21 August 2017 and ending on 20 August 2042.

The Mining Licence was granted in full across the area applied for, which was previously known as Prospecting Licence ML002/2004.

An annual licence fee is payable to the office of the Director of Mines of approximately USD$9,000.

The Government has decided not to exercise its option to take up a shareholding in the project as provided for under Section 40 of the Mines and Minerals Act.

Project development can commence at any time with no minimum spend stipulated.

Royalties are payable to the Government of Botswana in accordance with Section 66 of the Mines and Minerals Act. Royalties are currently payable at a rate of 3% of gross market value. Gross market value is defined as the sale value receivable at the mine gate in an arm's length transaction without discounts, commissions or deductions for the mineral or mineral product on disposal.

2 Environmental Management Plan

In 2014, Tlou commenced work on its application for an Environmental Impact Statement ('EIS'). This addresses the social and environmental context of the area surrounding the planned wellfield development project at Lesedi and CBM exploration activities in Tlou's Mamba and Lesedi areas. The Department of Environmental Affairs in Botswana confirmed during the year that the EIS has been approved and adequately identified and assessed anticipated impacts associated with the proposed activity.

In September 2016, Tlou was granted approval of the Environmental Impact Statement ('EIS') by Botswana's Department of Environmental Affairs ('DEA'). This process took over two years to be completed including preparation of all regulatory documentation, followed by a review and final approval by the Government. An approved EIS is essential prior to the application for a Mining Licence in Botswana.

The environmental monitoring costs are currently approximately $10,000 a year.

3 Exploration activities to date

SRK has provided descriptions on:

i) the nature of relevant geophysical and geological evidence;

ii) the results of drilling and sampling, including a description of current status, and a statement on results supporting the existence of the coal seams; and

iii) the organisations that carried out the investigation and analysis;

iv) the future exploration activities; and

v) in respect of each major property, maps and plans demonstrating its location, the nature and extent of workings thereon and all principal geological features.

3.1 Geological and Geophysical Studies

Tlou currently has the most advanced CBM project in Botswana, and is currently in pre-development stages at the Lesedi CBM Project area. The Mamba licences lie adjacent to and geologically on-trend with the Lesedi CBM project licences. Tlou's licences are mostly located in the Mmashoro Low, and the southernmost licences lie within the Lephephe Low.

There are three CBM prospective coal-bearing formations (i.e. Serowe, Morupule and Kamotaka Fm) within this part of the Karoo-Kalahari Basin. The Lower Morupule coal depths within the licence areas range between 350–800 m below ground level, with the current pilot production testing occurring at depths of approximately 500–550 m. Net coal reservoir thickness, as measured by density log, reaches up to 7.5 m. The Lower Morupule Formation coal is generally classed as a medium-volatile bituminous rank with vitrinite reflectance ($R_o$max) ranging from 0.66% to 1.47% (higher adjacent to basement or close to dolerite dykes). The weighted average ash content across the Reserves areas is 28.4% based on an air-dried basis. Gas desorption data from across the total licence area varies greatly; however, the gas content follows a consistent trend of increasing with depth. Weighted average gas contents across the Reserve areas range from 3.1 to 5.9 m^3/t on a dry ash free basis. The coals are known to be undersaturated but have gas saturations of approximately 65% or greater within the pilot area. Reservoir permeability from drillstem tests ranges from approximately 2 to 5 mD, and this range has been confirmed by more recent pilot well production testing.

Regional structures are highlighted by recent magnetic reprocessing undertaken by SRK A suite of high-resolution enhanced geophysical images was produced including:

Analytical signal

Reduction to pole (RTP)

Augmentation gain control

Vertical Derivative

High pass and Low pass filters

Tilt Derivative

Horizontal Derivative of the Tilt Derivative

Upward Continuation.

3.2 Drilling and Sampling

3.2.1 Exploration dataset

Previous to the 2009 farm-in by Tlou Energy, Saber Energy Group operated the Botswana CBM licenses. During their time as operator, Saber had drilled numerous wells (about 70) consisting of coreholes, stratigraphic wells and pilot production wells. Operations were located mostly within the Karoo Central licenses.

Tlou started its first exploration activities in 2009-2010. Approximately 25 wells, consisting of exploration and pilot production wells, have been drilled by Tlou to the date of this report.

In late 2011, Tlou drilled the Mopani 1P and Mopani 2P pilot production wells to assess the productivity of a co-mingled under-ream completion technique. The rationale here was that the coals may produce favourably in a co-mingled completion technique, even with the modest permeability. Results from this test displayed modest water and gas rates, and well performance was regarded as non-economic at the time. In 2013, Selemo 1AR was drilled and successfully intersected the Selemo 1P wellbore. The Selemo pilot pod was completed as a single-lateral pilot pod, and production testing was initiated. Dewatering progressed slowly.

In late 2014, after a period of sustained dewatering, Tlou decided to conduct a short-term flow test of the Selemo 1P pilot pod. The initial results indicated approximately 200,000 scf/d gas rates, with instantaneous peaks of 395,000 scf/d. The objective of the flow test was to provide a 'quicklook' to semi-quantitatively assess the future productivity of the Selemo pod.

Longer term gas-flow testing is currently underway at Selemo 1P pod so that long-term gas and water production can be achieved. The ultimate objective is to establish sustained well performance so that an economic case can be established.

In November 2014, the Selemo 2P well was drilled. The objective was to drill and test the Lower Morupule coal in the Selemo pilot area (750 m away from Selemo 1P) and conduct well testing to assess the permeability and reservoir parameters of the Selemo area.

It was believed that an acid wash and flush-out could rejuvenate production from the Mopani wells. In 2014, Tlou decided to trial this at Mopani 2P because of the two Mopani wells, this one flowed highest water rate. Weak acid wash was performed and the well put back on production. The increase productivity before and after the acid wash is unclear, and the trial production was suspended in 2015.

In September 2015, two new lateral wells either side of Selemo 1 (Selemo 2 and 4) were drilled to better understand the water producing capacity of the coal and expedite the process of achieving a sustained gas rate from the production pilot wells

Tlou and previous operators have conducted numerous exploration efforts within the portfolio of licences. Early exploration work consisted mostly of drilling, coring and laboratory testing.

The Lesedi project area has been actively explored, with coreholes drilled in each of the PL blocks. Extensive reservoir data has allowed Reserves and Contingent Resources to be defined for the Lesedi project area (SRK, 2015, 2016, 2017).

Tlou is currently focussing efforts on CBM extraction from the Lower Morupule coal seam within ML002/2004. It is recognised that additional targets exist within the Lesedi project area.

The following table summarises the wells drilled within the ML002/2004. The wells drilled within other prospecting licences are summarised in **Appendix C**.

Table 0-2: Exploration dataset in ML002/2004

Well name	Well type	Status	Total depth m	Date drilled	Operator	Geophysical logs	Coal analysis	Gas analysis	Coal analysis laboratory	Gas analysis laboratory
C1-1H	Stratigraphic hole	P&A	620	14/07/2008	Saber Energy	Y	N	N		
C1-1XR	Exploration corehole	P&A	591	15/05/2008	Saber Energy	Y	Y	Y	Petrographics SA	Saber Energy
C1-2X	Exploration corehole	P&A	479	16/03/2014	Tlou Energy	Y	Y	Y	Weatherford Laboratories/Petrographics SA	Weatherford Laboratories
C2-1	Stratigraphic hole	P&A	597	25/06/2008	Saber Energy	Y	N	N		
C4-1	Stratigraphic hole	P&A	584	19/03/2008	Saber Energy	Y	N	N		
C4-1XR	Exploration corehole	P&A	590	19/05/2008	Saber Energy	Y	Y	Y	Terratek/Petrographic SA	Terratek
C4-2X	Exploration corehole	P&A	575	20/03/2014	Tlou Energy	Y	Y	Y	Weatherford Laboratories/Petrographics SA	Weatherford Laboratories
C4-3XRR	Exploration corehole	P&A	567	7/05/2008	Saber Energy	Y	Y	Y	Terratek/Petrographic SA	Terratek
C5-1	Stratigraphic hole	P&A	645	25/08/2008	Saber Energy	Y	Y	N	Petrographics SA	
D1-1P	Stratigraphic hole	P&A	615	31/07/2008	Saber Energy	Y	N	Y		Witlab Pty Ltd
D1-1X	Exploration corehole	P&A	524	23/04/2008	Saber Energy	Y	Y	Y	Petrographics SA	Saber Energy
D1-2P	Stratigraphic hole	P&A	585	1/08/2008	Saber Energy	Y	N	N		
D1-3P	Stratigraphic hole	P&A	587	2/08/2008	Saber Energy	Y	N	Y		Witlab Pty Ltd
D1-3X	Exploration corehole	P&A	567	7/04/2008	Saber Energy	Y	Y	Y	Witlab/Petrographics SA	Saber Energy
D1-4P	Stratigraphic hole	P&A	595	5/08/2008	Saber Energy	Y	N	N		
D1-5P	Stratigraphic hole	P&A	590	3/08/2008	Saber Energy	Y	N	Y		Witlab Pty Ltd

Well name	Well type	Status	Total depth m	Date drilled	Operator	Geophysical logs	Coal analysis	Gas analysis	Coal analysis laboratory	Gas analysis laboratory
D2-1XRR	Exploration corehole	P&A	531	19/07/2010	Tlou Energy	Y	Y	Y	Weatherford	Weatherford Laboratorie/Gondwana Ventures
D2-2X	Exploration corehole	P&A	602	19/03/2008	Saber Energy	Y	Y	Y	Petrographics SA	Saber Energy
D3-1	Stratigraphic hole	P&A	542	1/07/2008	Saber Energy	Y	N	N		
D3-1P	Stratigraphic hole/production	P&A	620	11/05/2008	Saber Energy	Y	N	Y		Witlab Pty Ltd
D3-2P	Stratigraphic hole/production	P&A	680	17/05/2008	Saber Energy	Y	N	N		
D3-2X	Exploration corehole	P&A	581	31/03/2008	Saber Energy	Y	Y	Y	Witlab Pty Ltd/Petrographics SA	Saber Energy
D3-3P	Stratigraphic hole/production	P&A	704	12/08/2008	Saber Energy	Y	N	Y		Witlab Pty Ltd
D3-3X	Exploration corehole	P&A	577	1/04/2014	Tlou Energy	Y	Y	Y	Weatherford Laboratories/ Petrographics SA	Weatherford Laboratories
D3-4P	Stratigraphic hole/production	P&A	703	9/08/2008	Saber Energy	Y	N	Y		Witlab Pty Ltd
D3-5P	Stratigraphic hole/production	P&A	665	8/08/2008	Saber Energy	Y	N	N		
D5-1	Stratigraphic hole	P&A	504	9/03/2008	Saber Energy	Y	N	N		
D6-1	Stratigraphic hole	P&A	485	6/03/2008	Saber Energy	Y	N	N		
Lesedi 1A	Lateral Pilot production well	Producing	1405	13/11/2013	Tlou Energy	Y	N	N		
Lesedi 1B	Lateral Pilot production well	Suspended	716	28/11/2013	Tlou Energy	Y	N	N		
Lesedi 1P	Production well	Producing	492	29/06/2013	Tlou Energy	Y	N	N		
Lesedi 2P	Production well	Producing	497	8/11/2014	Tlou Energy	Y	Y	Y	Petrographics SA/SABS Commercial SOC	Langet Laboratories
Mopani 1M	Pressure monitoring well	P&A with gauges in place	506	22/08/2011	Tlou Energy	Y	N	N		

Well name	Well type	Status	Total depth m	Date drilled	Operator	Geophysical logs	Coal analysis	Gas analysis	Coal analysis laboratory	Gas analysis laboratory
Mopani 1P	Production well	Long term shut-in	514	16/09/2011	Tlou Energy	Y	N	N		
Mopani 2M	Pressure monitoring well	P&A with gauges in place	548	26/08/2008	Tlou Energy	Y	Y	N	Petrohraphics SA	
Mopani 2P	Production well	Long term shut-in	505	23/09/2011	Tlou Energy	Y	N	Y		Langet Laboratories
Selemo 1AR	Lateral Pilot production well	Producing	1447	25/05/2013	Tlou Energy	Y	N	N		
Selemo 1P	Vertical Pilot production well	Producing	560	7/07/2013	Tlou Energy	Y	N	Y		Langet Laboratories
Selemo 1B	Junked pilot well	P&A	527	28/09/2013	Tlou Energy	Y	N	N		
Selemo 2A	Lateral Pilot well	Producing	1542	18/08/2015	Tlou Energy	Y	N	N		
Selemo 2P	Vertical Pilot well	Producing	591	8/07/2015	Tlou Energy	Y	N	N		
Selemo 3A	Lateral Pilot well	Suspended		2015	Tlou Energy	N	N	N		
Selemo 3P	Vertical Pilot well	Suspended	596	29/06/2015	Tlou Energy	Y	N	N		
Selemo 4A	Lateral Pilot production well	Producing	1454	3/09/2015	Tlou Energy	Y	N	N		
Selemo 4P	Vertical Pilot production well	Producing	582	21/08/2015	Tlou Energy	Y	N	N		

3.2.2 Reservoir Description

The primary CBM target is the Lower Morupule coal seam of the Ecca Group. The coals are interbedded with carbonaceous shales and sandstones. It can also be seen that the Morupule and Kamotaka Formations contain several seams and plies.

The Morupule Formation is characterised by a relatively consistent coaly/carbonaceous package, with a distinct well-developed coal at the base of the package. The Lower Morupule coal seam is the primary target for the Selemo horizontal pilot wells drilled in 2013 and 2015.

The following table provides seam depth statistics from wellbores drilled within the Lesedi and Mamba Project areas.

Table 0-3: Formation Top depths based on wellbore intersections

Seam	Karoo Central/Karoo West		
	Seam depth below ground level (m)		
	Min	Max	Average
Serowe	208	656	371
Morupule	260	764	436
Kamotaka	381	825	510

SRK has performed synthetic seismic modelling for a more accurate tie of time data to depth;

Table 0-4: Coal seam thickness (all licence areas)

Seam	Seam net thickness (m) 1.85 g/cc density cut-off			
	Min	Max	Average	Count
Serowe	0.3	9.8	4.4	51
Morupule	0	30.7	15.6	57
Kamotaka	0	18.2	4.0	55

The table above summarises the cumulative net coal thickness statistics measured from wells in the Lesedi and Mambo licence permits. The thickness of net coal is defined by the density log measurement where the density cutoff is taken as 1.85 g/cc. The cutoff excludes carbonaceous shale that has a density between 1.85 g/cc and 2.2 g/cc. Only good quality, high-resolution wireline logs were used to determine the net coal thickness.

3.2.3 Coal rank and maturity

The mean maximum vitrinite reflectance ($R_o$max) for the Lower Morupule coal seam ranges from 0.66 to 1.47% based on available corehole data across the reserve areas (i.e. C4-1XR, C4-2X, C4-3XRR, D2-1XRR and D3-3X). Higher ranked coals are associated with volcanic intrusions.

3.2.4 Coal density and ash content

The Morupule coal seams within Botswana are characteristically regarded as having moderate to high ash content. Thin seams are often banded and interlaminated with non-coal clastic bands. However, thicker seams were deposited during times of relatively low clastic input, and as a consequence, have comparatively reduced ash. The ash content derived from proximate analysis based on 18 coreholes are below. Ash versus density relationship is presented therafter.

Table 0-5: Ash content results from proximate analysis from 18 wells

Seam	Ash content a.d.b. %			
	Min	Max	Weighted Average	Count
Serowe	13.4	87.9	46.9	69
Morupule	7.7	77.1	40.5	205
Kamotaka	6.5	72.8	32.7	88
All seams			39.3	362

NB: Often, proximate analysis is performed on coal collected for gas desorption sampling. Commonly during desorption sampling, a sub-sample of the total seam is collected for analysis. Therefore, it is recognised that the proximate analysis pertains only to the portion of sampled coal, and not the total in-situ coal seam. Desorption sampling aims at selecting a representative sub-set of the total seam so any variance in the results is not expected to be significant.

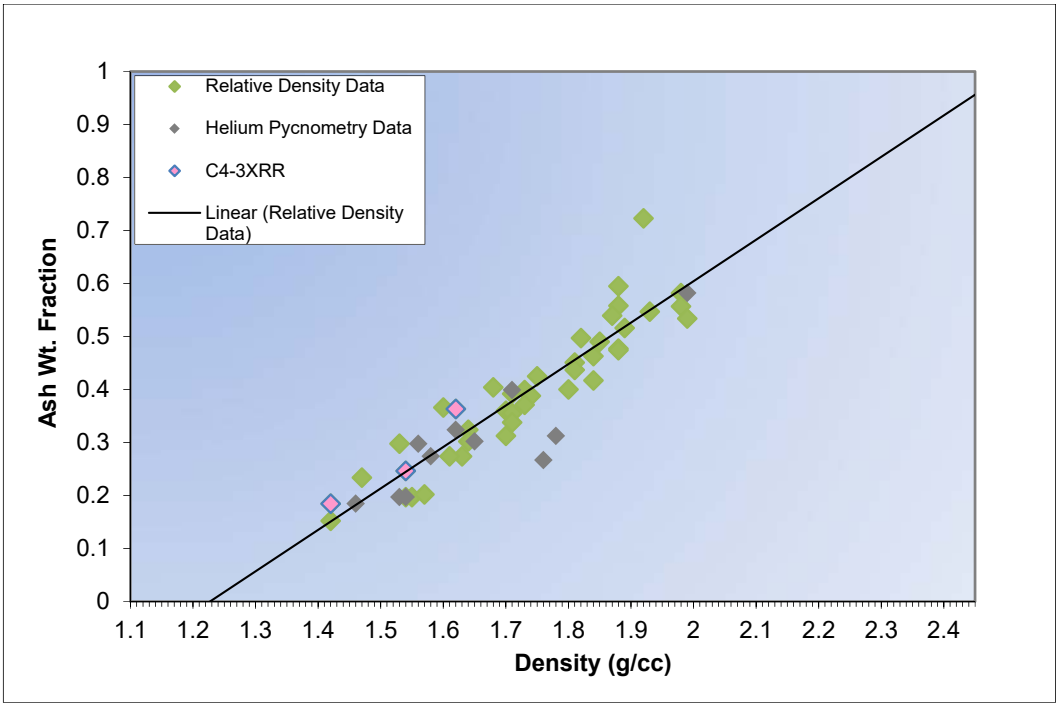


Figure 0-2: Ash vs density relationship, Morupule coal seam (ML002 lease area)

3.2.5 Gas content and gas saturation

The following graphs present the Lower Morupule isotherms on a dry ash free basis for the PL001/2004 and ML002/2004 areas and gas composition plotted against depth across all licences, respectively.

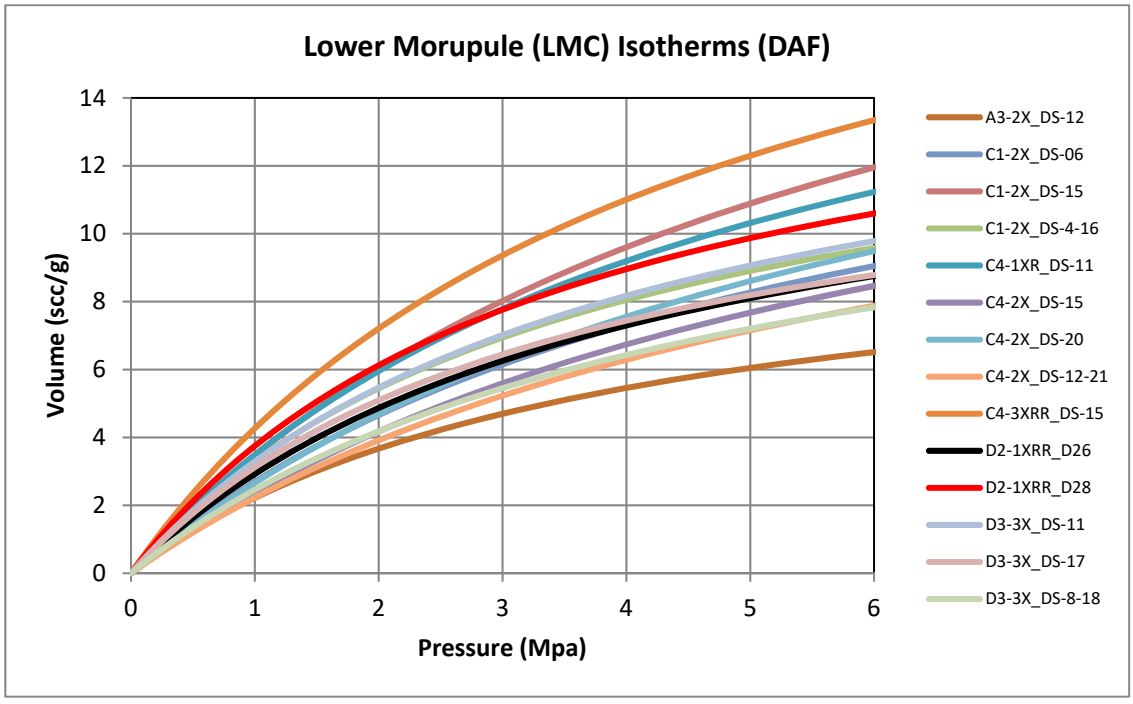


Figure 0-3: The Lower Morupule Isotherm on a dry ash free basis, PL001/2004 and ML002/2004

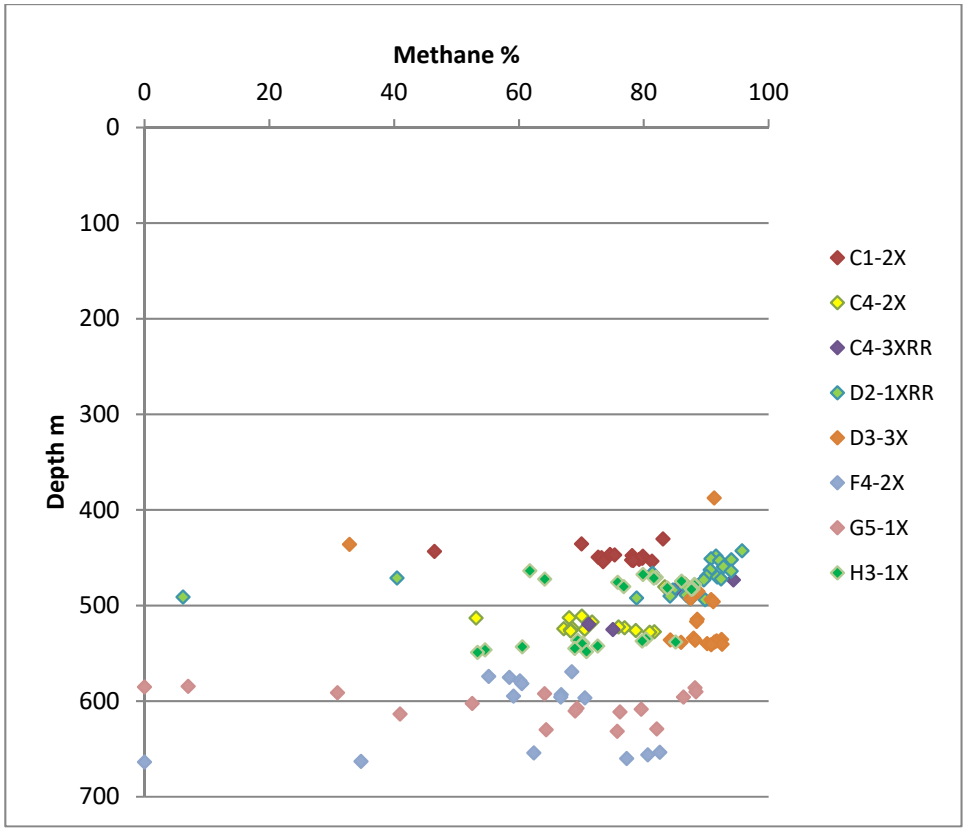


Figure 0-4: The Lower Morupule gas composition across all licences

3.2.6 Permeability

Tlou has measured coal seam permeability using drill stem test (DST) methods and production data reservoir analysis. DST data were collected in exploration coreholes, and provided a basis for assessing seam permeability in the area. Later pilot production testing from pilot wells across the permit have more or less confirmed the permeability results established in the earlier DST analysis.

Tlou commissioned Austar Gas Pty Ltd (2012) to conduct a review of their DST database and build a permeability interpretation for the subsurface. During their review, Austar utilised only those DSTs that achieved radial flow during the testing period. Results of the interpretation is summarised here:

Table 0-6: Results of average permeability from DST analysis (Source: Austar, 2012)

Well	Depths (m)	Formation	Average Permeability (mD)
B6-1X	332.00 – 355.97	Morupule	2.18
D2-1XRR	461.48 – 474.64	Morupule	5.34
F4-2X	652.87 – 663.35	Morupule	2.40
G5-1X	626.44 – 632.68	Morupule	3.55

The table below presents the porosity versus permeability relationship for the sandstone units indicating the tight nature of these tested samples.

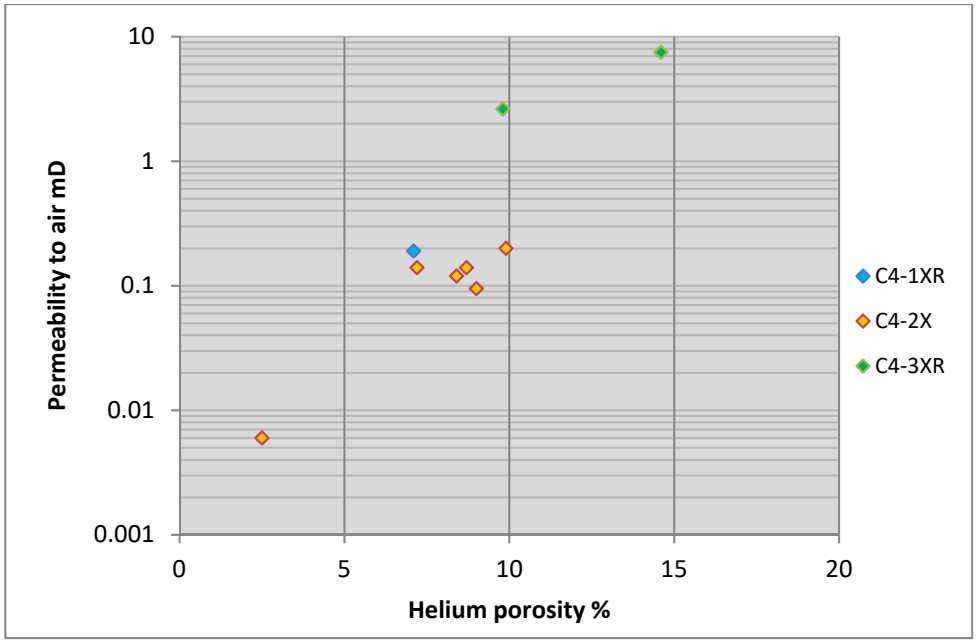


Figure 0-5: Sandstone porosity plotted against permeability, near the Selemo pilot pod

3.2.7 Reserves and Contingent Resources

In February 2017, SRK reassessed the gas Reserves within the Company's Lesedi and Mamba Project areas based on improved geological/structural modelling and continued assessment of the Lesedi/Selemo pilot gas production.

SRK has assigned additional 1P, 2P and 3P Reserves to the gas project based on the proved gas in the vertical wells in the Pilot Production area and in the surrounding contiguous structural blocks, the stratigraphic continuity of the Lower Morupule coal seam and confirmed data about the reservoir and gas quality.

Summary of estimates of Reserves and Contingent Resources attributed to the Tlou project areas are presented inbelow.

Table 0-7: Total Original Gas In Place and Gas Reserves attributed to the Tlou Project, as at 1st January 2017 (SRK, 2017)

TLOU Reserve category	OGIP Bscf	Reserves Bscf	Reserves PJ
1P	0.37	0.13	0.13
2P	7.8	3.9	3.2
3P	522.2	261.2	242.8

Gas volumes are expressed in billions of cubic feet (Bscf) at standard temperature and pressure and in Petajoules (PJ). The energy content of the gas was determined separately for the Lower Morupule coal seam based on the different gas energy contents for the three production areas.

Table 0-8: Contingent Resources (1C, 2C and 3C) of the Lower Morupule Seam – PL001 and ML002, as at 1st January 2017 (SRK, 2017)

Category	Contingent Resources Bscf	Contingent Resources PJ
1C	4.8	4.3
2C	67.4	60.5
3C	470.5	427.3

Gas volumes are expressed in billions of cubic feet (Bscf) at standard temperature and pressure and in Petajoules (PJ). The energy content of the gas was determined as 0.893 PJ per billion cubic feet based on the weighted average of all available Morupule coal seam data within PL001 and ML002.

4 Future exploration work program

A 2D seismic survey with an estimated total length of 250 km is expected to commence early October 2017. Additionally, two or three coreholes (with geophysical logging for stress breakout and coal core gas sampling) are planned to be drilled straight after 2D seismic survey processing and interpretation. The 2D seismic survey and drilling will confirm the extent of the Lower Morupule coal seam and help better understand the dewatering characteristics of the coal and gas compositions and saturations. This work will enable additional 1P and 2P gas Reserve estimations both at the well locations and potentially along the seismic lines where coals can be imaged and mapped.

New 2D seismic work, integrated with the reprocessed aeromagnetic data and well information, will enable the extent of the coal sequence and continuity to be confirmed regionally. The additional 2D seismic data will provide a new location to conduct further pilot drilling with reliable control and prediction at a proposed well location. It is anticipated to drill dual lateral wells intersecting a vertical well similar to the grahic below. The aeromagnetic structure interpretation and the available breakout stress mapping at the Lower Moruple coal level suggest NW–SE-trending structures best exploited by aligning the production drilling (and seismic strike lines) NE–SW. This should enable pilot testing that maximises the potential for gas influx into the wellbore and enable improved production well flow.

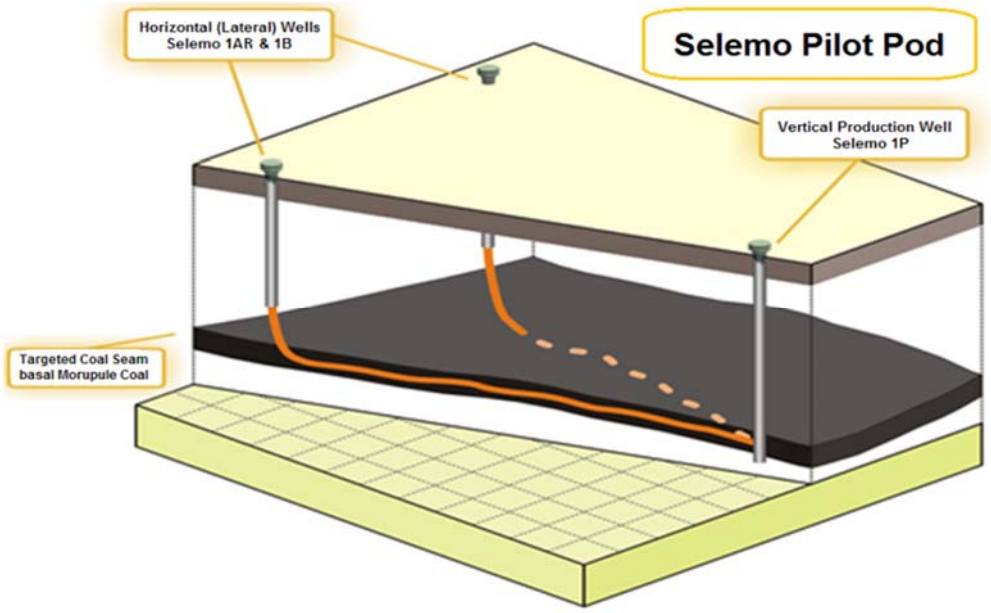


Figure 0-6: Diagram of the current Selemo Pilot Pod setup (not to scale)

5 Conclusions and project context

Tlou has conducted extensive drilling and pilot production testing of coal seam gas (coal bed methane) within their leases in Botswana.

Analyses confirm that the produced gas from the Selemo Pilot is capable of supporting an economic development for the Lesedi CBM Project. SRK assessed the pilot production data and modelled the likely contiguous fairway area of Lower Morupule coal gas production based on all the available information.

Despite the early limited production history for the field, the lateral wells have successfully been dewatered to a stage that ramp up gas production can be modelled with sufficient clarity to establish a reliable EUR. Tlou has demonstrated that gas production can be successfully achieved from the Lesedi CBM Project in Botswana and there are sufficient Reserves and Contingent Resources to undertake detailed field development planning based on the conceptual planning already completed.

Based on the tested coal core samples, the produced gas will be methane rich. SRK note that even within the thick widespread Morupule and Serowe seams there is important variability in the gas saturation levels, coal thicknesses and gas compositions that will enable more highly productive zones and areas to potentially provide the focus of future lower cost Reserves areas.

Large Prospective Resources occur within adjacent Tlou leases outside the area of current reporting however; their continuity, quality and coal gas characteristics are yet to be fully assessed.

With an EIS in place, Tlou submitted a Mining Licence application to Botswana's Department of Mines in the Ministry of Mineral Resources, Green Technology and Energy Security. In August 2017, Tlou received notification that the application had been successful and the Mining Licence was granted.

Future work already started comprises 2D seismic acquisition and core drilling along with gas sampling that will enable planning refinements to maximise the economic return from future gas development drilling.

Prepared by

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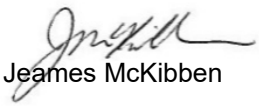

Jeames McKibben

Principal Consultant

All data used as source material plus the text, tables, figures, and attachments of this document have been reviewed and prepared in accordance with generally accepted professional engineering and environmental practices.

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Appendix A: Category Definitions of 1P, 2P and 3P (1C, 2C and 3C)

(SPE, 2007) For further details on the definitions and guidelines, please see the original document.

The following (**Figure A-1**) (from the World Petroleum Council) presents 1P 2P and 3P category definitions. Furthermore, it provides guidelines designed to promote consistency in resource assessments. The following summarizes the definitions for each Reserves category in terms of both the deterministic incremental approach and scenario approach and also provides the probability criteria if probabilistic methods are applied.

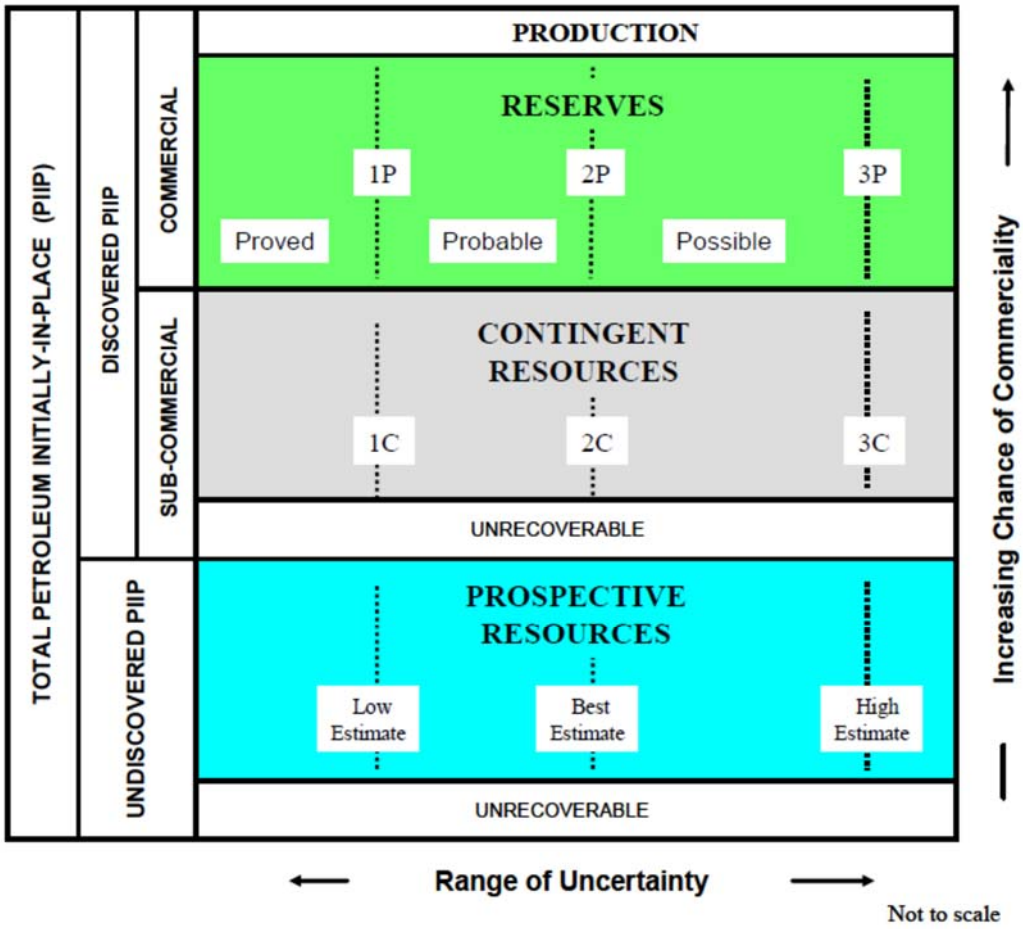

Figure A-1: Resources Classification Framework

Proved Reserves are those quantities of petroleum, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations. If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate.

Probable Reserves are those additional Reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable Reserves (2P). In this context, when probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the 2P estimate.

Possible Reserves are those additional reserves which analysis of geoscience and engineering data suggest are less likely to be recoverable than Probable Reserves. The total quantities ultimately recovered from the project have a low probability to exceed the sum of Proved plus Probable plus Possible (3P) Reserves, which is equivalent to the high estimate scenario. In this context, when probabilistic methods are used, there should be at least a 10% probability that the actual quantities recovered will equal or exceed the 3P estimate.

The "Range of Uncertainty" reflects a range of estimated quantities potentially recoverable from an accumulation by a project, while the vertical axis represents the "Chance of Commerciality", that is, the chance that the project that will be developed and reach commercial producing status.

The following definitions apply to the major subdivisions within the resources classification:

TOTAL PETROLEUM INITIALLY-IN-PLACE is that quantity of petroleum that is estimated to exist originally in naturally occurring accumulations. It includes that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations prior to production plus those estimated quantities in accumulations yet to be discovered (equivalent to "total resources").

DISCOVERED PETROLEUM INITIALLY-IN-PLACE is that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations prior to production.

PRODUCTION is the cumulative quantity of petroleum that has been recovered at a given date. While all recoverable resources are estimated and production is measured in terms of the sales product specifications, raw production (sales plus non-sales) quantities are also measured and required to support engineering analyses based on reservoir voidage.

Multiple development projects may be applied to each known accumulation, and each project will recover an estimated portion of the initially-in-place quantities. The projects shall be subdivided into Commercial and Sub-Commercial, with the estimated recoverable quantities being classified as Reserves and Contingent Resources respectively, as defined below.

RESERVES are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must further satisfy four criteria's: they must be discovered, recoverable, commercial, and remaining (as of the evaluation date) based on the development project(s) applied. Reserves are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by development and production status.

CONTINGENT RESOURCES are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations, but the applied project(s) are not yet considered mature enough for commercial development due to one or more contingencies. Contingent Resources may include, for example, projects for which there are currently no viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the accumulation is insufficient to clearly assess commerciality. Contingent Resources are further categorized in accordance with the level of certainty associated with the estimates and may be subclassified based on project maturity and/or characterized by their economic status.

UNDISCOVERED PETROLEUM INITIALLY-IN-PLACE is that quantity of petroleum estimated, as of a given date, to be contained within accumulations yet to be discovered.

PROSPECTIVE RESOURCES are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective Resources have both an associated chance of discovery and a chance of development. Prospective Resources are further subdivided in accordance with the level of certainty associated with recoverable estimates assuming their discovery and development and may be sub-classified based on project maturity.

UNRECOVERABLE is that portion of Discovered or Undiscovered Petroleum Initially-in- Place quantities which is estimated, as of a given date, not to be recoverable by future development projects. A portion of these quantities may become recoverable in the future as commercial circumstances change or technological developments occur, the remaining portion may never be recovered due to physical/chemical constraints represented by subsurface interaction of fluids and reservoir rocks.

Estimated Ultimate Recovery (EUR) is not a resources category, but a term that may be applied to any accumulation or group of accumulations (discovered or undiscovered) to define those quantities of petroleum estimated, as of a given date, to be potentially recoverable under defined technical and commercial conditions plus those quantities already produced (total of recoverable resources).

In specialized areas, such as basin potential studies, alternative terminology has been used, the total resources may be referred to as Total Resource Base or Hydrocarbon Endowment. Total recoverable or EUR may be termed Basin Potential. The sum of Reserves, Contingent Resources and Prospective Resources may be referred to as “remaining recoverable resources.” When such terms are used, it is important that each classification component of the summation also be provided. Moreover, these quantities should not be aggregated without due consideration of the varying degrees of technical and commercial risk involved with their classification.

Project-Based Resources Evaluations

The resources evaluation process consists of identifying a recovery project, or projects, associated with a petroleum accumulation(s), estimating the quantities of Petroleum Initially-in-Place, estimating that portion of those in-place quantities that can be recovered by each project, and classifying the project(s) based on its maturity status or chance of commerciality.

This concept of a project-based classification system is further clarified by examining the primary data sources contributing to an evaluation of net recoverable resources (**Figure A-2**) that may be described as follows:

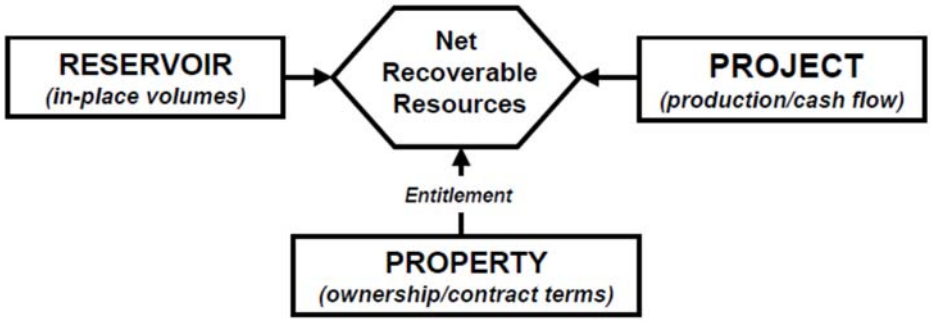

Figure A-2: Resources Evaluation Data Sources

Resources Classification

The basic classification requires establishment of criteria for a petroleum discovery and thereafter the distinction between commercial and sub-commercial projects in known accumulations (and hence between Reserves and Contingent Resources).

Determination of Discovery Status

A discovery is one petroleum accumulation, or several petroleum accumulations collectively, for which one or several exploratory wells have established through testing, sampling, and/or logging the existence of a significant quantity of potentially moveable hydrocarbons.

In this context, "significant" implies that there is evidence of a sufficient quantity of petroleum to justify estimating the in-place volume demonstrated by the well(s) and for evaluating the potential for economic recovery. Estimated recoverable quantities within such a discovered (known) accumulation(s) shall initially be classified as Contingent Resources pending definition of projects with sufficient chance of commercial development to reclassify all, or a portion, as Reserves.

Where in-place hydrocarbons are identified, but are not considered currently recoverable, such quantities may be classified as Discovered Unrecoverable, if considered appropriate for resource management purposes, a portion of these quantities may become recoverable resources in the future as commercial circumstances change or technological developments occur.

Determination of Commerciality

Discovered recoverable volumes (Contingent Resources) may be considered commercially producible, and thus Reserves, if the entity claiming commerciality has demonstrated firm intention to proceed with development and such intention is based upon all of the following criteria:

- Evidence to support a reasonable timetable for development.
- A reasonable assessment of the future economics of such development projects meeting defined investment and operating criteria.
- A reasonable expectation that there will be a market for all or at least the expected sales quantities of production required to justify development.
- Evidence that the necessary production and transportation facilities are available or can be made available.
- Evidence that legal, contractual, environmental and other social and economic concerns will allow for the actual implementation of the recovery project being evaluated.

To be included in the Reserves class, a project must be sufficiently defined to establish its commercial viability. There must be a reasonable expectation that all required internal and external approvals will be forthcoming, and there is evidence of firm intention to proceed with development within a reasonable time frame. A reasonable time frame for the initiation of development depends on the specific circumstances and varies according to the scope of the project. While 5 years is recommended as a benchmark, a longer time frame could be applied where, for example, development of economic projects are deferred at the option of the producer for, among other things, market-related reasons, or to meet contractual or strategic objectives. In all cases, the justification for classification as Reserves should be clearly documented.

To be included in the Reserves class, there must be a high confidence in the commercial producibility of the reservoir as supported by actual production or formation tests. In certain cases, Reserves may be assigned on the basis of well logs and/or core analysis that indicate that the subject reservoir is hydrocarbon-bearing and is analogous to reservoirs in the same area that are producing or have demonstrated the ability to produce on formation tests.

Project Status and Commercial Risk

Evaluators have the option to establish a more detailed resources classification reporting system that can also provide the basis for portfolio management by subdividing the chance of commerciality axis according to project maturity. Such sub-classes may be characterized by standard project maturity level descriptions (qualitative) and/or by their associated chance of reaching producing status (quantitative).

As a project moves to a higher level of maturity, there will be an increasing chance that the accumulation will be commercially developed. For Contingent and Prospective Resources, this can further be expressed as a quantitative chance estimate that incorporates two key underlying risk components:

- The chance that the potential accumulation will result in the discovery of petroleum. This is referred to as the "chance of discovery".
- Once discovered, the chance that the accumulation will be commercially developed is referred to as the "chance of development."

Thus, for an undiscovered accumulation, the "chance of commerciality" is the product of these two risk components. For a discovered accumulation where the "chance of discovery" is 100%, the "chance of commerciality" becomes equivalent to the "chance of development."

Project Maturity Sub-Classes

As illustrated in **Figure A-3**, development projects (and their associated recoverable quantities) may be sub-classified according to project maturity levels and the associated actions (business decisions) required to move a project toward commercial production.

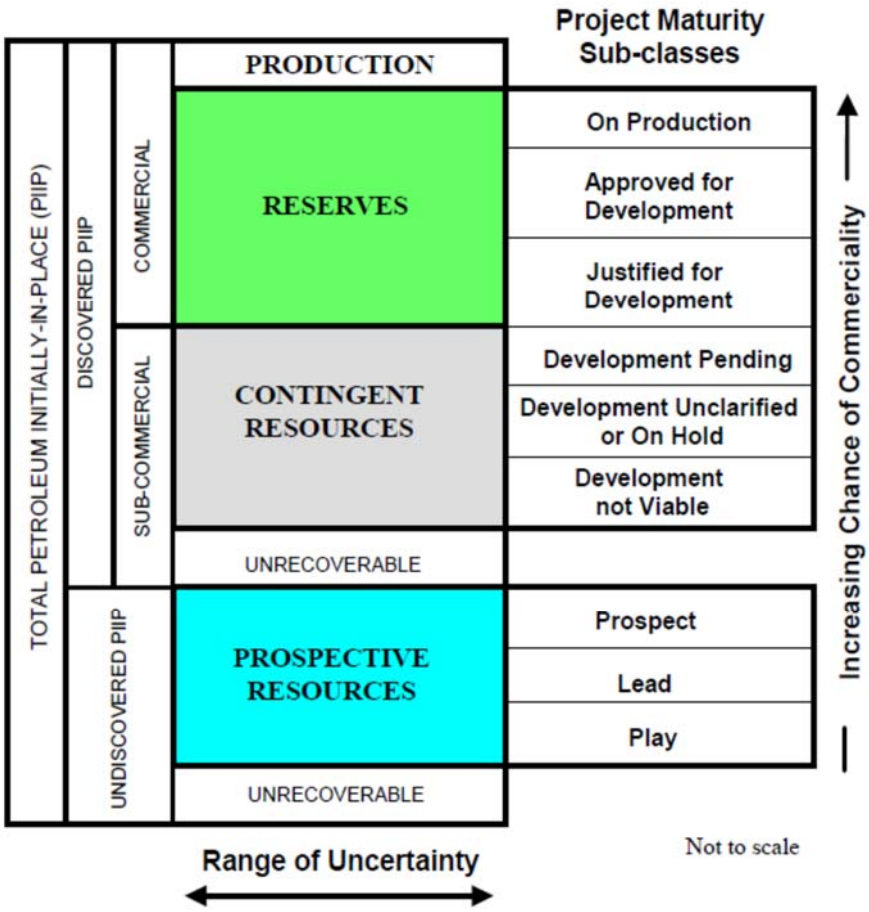

Figure A-3: Project Maturity Sub-Classes

Project Maturity terminology and definitions have been modified from the example provided in the 2001 Supplemental Guidelines, Chapter 2. Detailed definitions and guidelines for each Project maturity sub-class are provided in **Figure A-3**. This approach supports managing portfolios of opportunities at various stages of exploration and development and may be supplemented by associated quantitative estimates of chance of commerciality. The boundaries between different levels of project maturity may be referred to as "decision gates."

Decisions within the Reserves class are based on those actions that progress a project through final approvals to implementation and initiation of production and product sales. For Contingent Resources, supporting analysis should focus on gathering data and performing analyses to clarify and then mitigate those key conditions, or contingencies, that prevent commercial development.

For Prospective Resources, these potential accumulations are evaluated according to their chance of discovery and, assuming a discovery, the estimated quantities that would be recoverable under appropriate development projects. The decision at each phase is to undertake further data acquisition and/or studies designed to move the project to a level of technical and commercial maturity where a decision can be made to proceed with exploration drilling.

Evaluators may adopt alternative sub-classes and project maturity modifiers, but the concept of increasing chance of commerciality should be a key enabler in applying the overall classification system and supporting portfolio management.

Reserves Status

Once projects satisfy commercial risk criteria, the associated quantities are classified as Reserves. These quantities may be allocated to the following subdivisions based on the funding and operational status of wells and associated facilities within the reservoir development plan:

- Developed Reserves are expected quantities to be recovered from existing wells and facilities.
- Developed Producing Reserves are expected to be recovered from completion intervals that are open and producing at the time of the estimate.
- Developed Non-Producing Reserves include shut-in and behind-pipe Reserves.
- Undeveloped Reserves are quantities expected to be recovered through future investments.

Where Reserves remain undeveloped beyond a reasonable timeframe, or have remained undeveloped due to repeated postponements, evaluations should be critically reviewed to document reasons for the delay in initiating development and justify retaining these quantities within the Reserves class. While there are specific circumstances where a longer delay (see Determination of Commerciality, section 2.1.2) is justified, a reasonable time frame is generally considered to be less than 5 years.

Development and production status are of significant importance for project management. While Reserves Status has traditionally only been applied to Proved Reserves, the same concept of Developed and Undeveloped Status based on the funding and operational status of wells and producing facilities within the development project are applicable throughout the full range of Reserves uncertainty categories (Proved, Probable and Possible).

Quantities may be subdivided by Reserves Status independent of sub-classification by Project Maturity. If applied in combination, Developed and/or Undeveloped Reserves quantities may be identified separately within each Reserves sub-class (On Production, Approved for Development, and Justified for Development).

Economic Status

Projects may be further characterized by their Economic Status. All projects classified as Reserves must be economic under defined conditions.

Based on assumptions regarding future conditions and their impact on ultimate economic viability, projects currently classified as Contingent Resources may be broadly divided into two groups:

- Marginal Contingent Resources are those quantities associated with technically feasible projects that are either currently economic or projected to be economic under reasonably forecasted improvements in commercial conditions but are not committed for development because of one or more contingencies.
- Sub-Marginal Contingent Resources are those quantities associated with discoveries for which analysis indicates that technically feasible development projects would not be economic and/or other contingencies would not be satisfied under current or reasonably forecasted improvements in commercial conditions. These projects nonetheless should be retained in the inventory of discovered resources pending unforeseen major changes in commercial conditions.

Where evaluations are incomplete such that it is premature to clearly define ultimate chance of commerciality, it is acceptable to note that project economic status is "undetermined." Additional economic status modifiers may be applied to further characterize recoverable quantities; for example, non-sales (lease fuel, flare, and losses) may be separately identified and documented in addition to sales quantities for both production and recoverable resource estimates. Those discovered in-place volumes for which a feasible development project cannot be defined using current or reasonably forecast improvements in, technology are classified as Unrecoverable.

Economic Status may be identified independently of, or applied in combination with, Project Maturity sub-classification to more completely describe the project and its associated resources.

Appendix B: Glossary of Terms

Adsorption - The property of some solids and liquids to attract a liquid or a gas to their surfaces. For coal, it is the property of the coal matrix to attract natural gas to the coal surface.

As-Received (Basis) - Represents an analysis of a sample as received at a laboratory.

Assessment - The geosciences, engineering, and associated studies conducted on a petroleum exploration, development, or producing project resulting in estimates of the quantities that can be recovered and sold and the associated cash flow under defined forward conditions. Projects are classified and estimates of derived quantities are categorized according to applicable guidelines.

Best Estimate - This is considered to be the best estimate of the quantity that will actually be recovered from the accumulation by the project. It is the most realistic assessment of recoverable quantities if only a single result were reported. If probabilistic methods are used, there should be at least a 50% probability (P50) that the quantities actually recovered will equal or exceed the best estimate. For prospective resources estimates, this estimate is dependent on a discovery being made. For contingent resources, this estimate is dependent on economic contingencies being successfully addressed.

Capital Costs - Monies spent in drilling and completing a well that cannot be deducted under federal income tax law. The monies are recovered by the slower and less desirable depletion or depreciation methods. Capital expenditures also include geological and geophysical costs, equipment costs, and lease bonuses.

Cleating - A series of tight, closely spaced, small fractures in the coal bed caused by geologic stress. Cleating, and coal permeability, may be enhanced in areas of faulting, fracturing, or structural stress.

Coal Seam - A strata of coal that is thick enough to be mapped over an area or mined.

Coal Thickness – The true perpendicular thickness of a coal strata. Gross coal thickness is normally the distance between the top and base of the coal seam. Net coal thickness is normally determined by excluding coal sections with densities above 1.75 g/cc.

Coal Bed Methane (CBM) - Natural gas contained in coal deposits, whether or not stored in gaseous phase. Coal bed gas, although usually mostly methane, may be produced with variable amounts of inert or even non-inert gases.

Commerciality - When a project is commercial, this implies that the essential social, environmental, and economic conditions are met, including political, legal, regulatory, and contractual conditions. In addition, a project is commercial if the degree of commitment is such that the accumulation is expected to be developed and placed on production within a reasonable time-frame.

Contingent Resources - Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects but which are not currently considered to be commercially recoverable due to one or more commercial contingencies.

Core Hole - A well drilled with a slim-hole rig. The wellbore is 6¼ in. in diameter or less. Well logs are run in a core hole, although a core is not necessarily taken.

Density - Mass per unit of volume. Density is typically reported in g/cc (for example, rocks) or pounds per barrel (drilling mud) in the oil field.

Desorption - The release of gas from the coal matrix as the pressure is lowered and the adsorption capacity of the coal is subsequently lowered.

Estimated Ultimate Recovery - Those quantities of petroleum, which are estimated, on a given date, to be potentially recoverable from an accumulation, plus those quantities already produced there.

Exploration Well - A well drilled in order to locate an undiscovered petroleum reservoir, either by discovering a new field or a new shallower or deeper reservoir in a previously discovered field.

Fair Market Value - The amount of money (or the cash equivalent of some other consideration) determined by the expert in accordance with the provisions of the VALMIN Code for which the mineral or petroleum asset or security should change hands on the valuation date in an open and unrestricted market between a willing buyer and a willing seller in an "arm's length" transaction, with each party acting knowledgeably, prudently and without compulsion. Value is usually comprised of two components, the underlying or 'technical value' of the mineral or petroleum asset or security and a premium or discount relating to market, strategic, or other considerations. Value should be selected as the most likely figure from within a range after taking account of risk and the possible variation in ore grade, metallurgical recovery, capital and operating costs, commodity prices, exchange rates and the like.

Formation - A strata of rock that is sufficiently distinctive and continuous that it can be mapped.

Gas Content - For coalbed methane evaluations, this is the amount of gas adsorbed onto the coal matrix surfaces, usually expressed as cubic meters or standard cubic feet per ton of coal.

High Estimate - This is considered to be an optimistic estimate of the quantity that will actually be recovered from an accumulation by a project. If probabilistic methods are used, there should be at least a 10% probability (P10) that the quantities actually recovered will equal or exceed the high estimate. For prospective resources estimates, this estimate is dependent on a discovery being made. For contingent resources, this estimate is dependent on contingencies being successfully addressed.

Horizontal Well - A well that is drilled by deviation drilling and tracks the dip of a subsurface reservoir. A horizontal well traditionally consists of a vertical section and a lateral horizontal section, which penetrates the target reservoir.

Langmuir Equation - Relates the coverage or adsorption of molecules on a solid surface to gas pressure or concentration of a medium above the solid surface at a fixed temperature. The equation was developed by Irving Langmuir in 1916.

Low Estimate - This is considered to be a conservative estimate of the quantity that will actually be recovered from the accumulation by a project. If probabilistic methods are used, there should be at least a 90% probability (P90) that the quantities actually recovered will equal or exceed the low estimate. For prospective resources estimates, this estimate is dependent on a discovery being made. For contingent resources, this estimate is dependent on contingencies being successfully addressed.

Net Coal Thickness - The net thickness of the coal bed. Net coal thickness is normally the distance between the top and base of the coal seam once the coal sections with densities above 1.75 g/cc are excluded.

Operating Costs - The direct operating costs plus district overhead plus employee benefits for a specific producing property.

Original Gas-in-Place (OGIP) - The total quantity of natural gas that is estimated to exist originally in naturally occurring reservoirs.

Overburden Thickness - The thickness of the overburden rock above top of the coal seam. The distance between ground level and the top of the coal seam.

Permeability - The measurement of a rock's ability to transmit fluids, typically measured in darcies or millidarcies.

Pilot - A small development project to validate the petroleum engineering estimates of recovery, rates, and spacing before the operator commits to commercial development.

Probabilistic Methods - The method of estimation of resources is called probabilistic when the known geoscience, engineering, and economic data are used to generate a continuous range of estimates and their associated probabilities.

Probability - The extent to which an event is likely to occur, measured by the ratio of the favourable cases to the whole number of cases possible. SPE convention is to quote cumulative probability of exceeding or equalling a quantity where P90 is the small estimate and P10 is the large estimate.

Production Sharing Contract (PSC) - An agreement between the parties to a well and a host country regarding the percentage of production each party will receive after the participating parties have recovered a specified amount of costs and expenses.

Prospect - A project associated with a potential accumulation that is sufficiently well defined to present a viable drilling target.

Prospective Resources - Those quantities of petroleum that are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations.

Rat hole - Extra hole drilled at the end of the well (beyond the last zone of interest) to ensure that the zone of interest can be fully evaluated or a sump to enable dewatering.

Recovery Factor - A numeric expression of that portion of inplace quantities of petroleum estimated to be recoverable by specific processes or projects, most often represented as a percentage.

Reserves - Those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must further satisfy four criteria: They must be discovered, recoverable, commercial, and remaining (as of a given date) based on the development project(s) applied.

Risk - The probability of loss or failure.

Risk Factor - The chance of success.

Structure - A geological feature produced by deformation of the Earth's crust, such as a fold or a fault; a feature within a rock, such as a fracture or bedding surface; or, more generally, the spatial arrangement of rocks.

Vertical Well - A well drilled vertically into the subsurface.

Volumetric Estimate - An estimate of the volume of gas-inplace or resources/reserves using generally accepted petroleum engineering equations.

Uncertainty - The range of possible outcomes in a series of estimates. For recoverable resources assessments, the range of uncertainty reflects a reasonable range of estimated potentially recoverable quantities for an individual accumulation or a project.

Appendix C: Well summary

Table 1: Summary of wells drilled within the prospecting licences hold by Tlou Energy

Well name	Well type	Prospecting licence	Total depth m	Geophysical logs	Coal analysis	Gas analysis	Date drilled	Operator	Status	Coal analysis laboratory	Gas analysis laboratory
A3-2X	Exploration corehole	PL001/2004	594	Y	Y	Y	21/06/2008	Saber Energy	P&A	Terratek/ Witlab Pty Ltd	Terratek
A5-1X	Exploration corehole	PL001/2004	285	N	Y	Y	04/06/2008	Saber Energy	P&A	Terratek	Terratek
B1-1P	Stratigraphic hole	PL001/2004	446	Y	N	Y	28/04/2008	Saber Energy	P&A		Witlab pty Ltd
B2-1	Stratigraphic hole	PL001/2004	425	Y	Y	N	10/09/2008	Saber Energy	P&A	Petrographics SA	
B3-1	Stratigraphic hole	PL001/2004	540	Y	Y	N	11/09/2008	Saber Energy	P&A	Petrographics SA	
B6-1X	Exploration corehole	PL001/2004	480	Y	Y	Y	6/07/2010	Tlou Energy	P&A	Weatherford Laboratories	Weatherford Laboratories /Gondwana Ventures
E2-1X	Exploration corehole	PL037/2000	527	Y	N	Y	28/03/2008	Saber Energy	P&A		Saber Energy
E2-2X	Exploration corehole	PL037/2000	650	Y	N	Y	19/03/2008	Saber Energy	P&A		Saber Energy
E3-1P	Stratigraphic hole	PL037/2000	469	Y	N	N	27/04/2008	Saber Energy	P&A		
E3-1X	Exploration corehole	PL037/2000	459	Y	N	Y	31/03/2008	Saber Energy	P&A		Saber Energy
E3-2P	Stratigraphic hole	PL037/2000	496	Y	N	N	13/08/2008	Saber Energy	P&A		
E3-2PR	Stratigraphic hole	PL037/2000	480	Y	N	Y	23/09/2008	Saber Energy	P&A		
E3-3P	Stratigraphic hole	PL037/2000	475	Y	N	N	30/04/2008	Saber Energy	P&A		
E3-4P	Stratigraphic hole	PL037/2000	475	Y	N	N	30/04/2008	Saber Energy	P&A		
E3-5P	Stratigraphic hole	PL037/2000	481	Y	N	N	29/04/2008	Saber Energy	P&A		
E5-1X	Exploration corehole	PL037/2000	825	Y	Y	Y	16/03/2008	Saber Energy	P&A	Witlab Pty Ltd	Saber Energy
F1-1P	Stratigraphic hole	PL037/2000	652	Y	N	N	19/04/2008	Saber Energy	P&A		
F1-1X	Exploration corehole	PL037/2000	618	Y	Y	Y	30/08/2011	Saber Energy	P&A	Terratek/ Petrographics SA	Terratek
F1-2PR	Stratigraphic hole	PL037/2000	655	Y	N	N	16/06/2008	Saber Energy	P&A		
F1-3P	Stratigraphic hole	PL037/2000	651	Y	N	N	25/04/2008	Saber Energy	P&A		

Well name	Well type	Prospecting licence	Total depth m	Geophysical logs	Coal analysis	Gas analysis	Date drilled	Operator	Status	Coal analysis laboratory	Gas analysis laboratory
F1-4P	Stratigraphic hole	PL037/2000	643	Y	N	Y	26/04/2008	Saber Energy	P&A		Witlab Pty Ltd
F1-5P	Stratigraphic hole	PL037/2000	660	Y	N	N	24/04/2008	Saber Energy	P&A		
F4-2X	Exploration corehole	PL037/2000	711	Y	Y	Y	31/07/2010	Tlou Energy	P&A	Weatherford Laboratories	Weatherford Laboratories /Gondwana Ventures
G1-1XR	Stratigraphic hole	PL035/2000	470	Y	N	N	1/04/2008	Saber Energy	P&A		
G3-1	Stratigraphic hole	PL035/2000	831	N	N	N	22/06/2008	Saber Energy	P&A		
G5-1X	Exploration corehole	PL035/2000	692	Y	Y	Y	14/08/2010	Tlou Energy	P&A	Weatherford Laboratories	Weatherford Laboratories /Gondwana Ventures
G7-1X	Exploration corehole	PL035/2000	665	Y	N	Y	1/04/2008	Saber Energy	P&A		Saber Energy
G7-2X	Exploration corehole	PL035/2000	552	N	N	N	3/04/2008	Saber Energy	P&A		
H2-1XR	Exploration corehole	PL003/2004	563	Y	N	Y	12/03/2008	Saber Energy	P&A		Saber Energy
H3-1X	Exploration corehole	PL003/2004	611	Y	Y	Y	7/05/2010	Tlou Energy	P&A	Weatherford Laboratories	Weatherford Laboratories /Gondwana Ventures
H3-2X	Exploration corehole	PL003/2004	659	Y	Y	Y	13/08/2010	Tlou Energy	P&A	Terratek	Terratek
H4-1X	Exploration corehole	PL003/2004	872	Y	Y	Y	6/02/2008	Saber Energy	P&A	Saber Energy	Saber Energy
H4-2X	Exploration corehole	PL003/2004	838	Y	Y	Y	3/03/2008	Saber Energy	P&A	Petrographics SA	Saber Energy
L1	PAGS	PL035/2000	596					BGC	P&A		
L2	Exploration corehole	PL037/2000	635	N	Y	Y			P&A		
M1	Exploration corehole	PL037/2000	393	N	Y	Y			P&A		
RG006	Exploration corehole	PL241/2014	819	Y	Y	Y		Anglo Coal Botswana	P&A	Petrographics SA/C&M Analytical Laboratory/Witlab Pty Ltd	Geoscientific and Exploration Services?

Well name	Well type	Prospecting licence	Total depth m	Geophysical logs	Coal analysis	Gas analysis	Date drilled	Operator	Status	Coal analysis laboratory	Gas analysis laboratory
RG013	Exploration corehole	PL239/2004	658	Y	Y	Y		Anglo Coal Botswana	P&A	Petrographics SA/C&M Analytical Laboratory/Witlab Pty Ltd	Geoscientific and Exploration Services?
RG016	Exploration corehole	PL237/2004	470	Y	Y	Y		Anglo Coal Botswana	P&A	Petrographics SA/C&M Analytical Laboratory/Witlab Pty Ltd	
RG017	Exploration corehole	PL240/2014	740	Y	Y	Y		Anglo Coal Botswana	P&A	Petrographics SA/C&M Analytical Laboratory/ALS Laboratory Group	
RG044	Exploration corehole	PL237/2004	399	Y	Y	Y		Anglo Coal Botswana	P&A	Petrographics SA/C&M Analytical Laboratory/ALS Laboratory Group	
RG045-2	Exploration corehole	PL238/2004	737	Y	Y	Y		Anglo Coal Botswana	P&A	Petrographics SA/C&M Analytical Laboratory	
RG045-3	Exploration corehole	PL238/2004	917	Y	Y	Y		Anglo Coal Botswana	P&A	Terratek/Petrographics SA/C&M Analytical Laboratory/ALS Laboratory Group	Terratek
SEB 1-1	Stratigraphic hole	PL003/2004	450	Y	Y	N	26/10/2006	Saber Energy	P&A	Set Point Laboratories	
SEB 1-2	Stratigraphic hole	PL003/2004	439	Y	N	N		Saber Energy	P&A		
SEB 1-3	Stratigraphic hole	PL003/2004	439	Y	N	N	3/12/2006	Saber Energy	P&A		
SEB 1-4	Stratigraphic hole	PL003/2004	413	Y	N	N		Saber Energy	P&A		
SEB 1-5R	Stratigraphic hole	PL003/2004	446	Y	N	N	1/02/2007	Saber Energy	P&A		
SEB 1-6	Stratigraphic hole	PL003/2004	445	Y	N	N		Saber Energy	P&A		
SEB 1-7	Stratigraphic hole	PL003/2004	460	Y	N	N		Saber Energy	P&A		
SEB 1-8	Stratigraphic hole	PL003/2004	460	Y	N	N		Saber Energy	P&A		
SEB 1-9	Stratigraphic hole	PL003/2004	445	Y	N	N		Saber Energy	P&A		
SEB 2-1	Stratigraphic hole	PL003/2004	540	Y	N	N	3/04/2007	Saber Energy	P&A		
SEB 2-2	Stratigraphic hole	PL003/2004	550	Y	N	N		Saber Energy	P&A		

Well name	Well type	Prospecting licence	Total depth m	Geophysical logs	Coal analysis	Gas analysis	Date drilled	Operator	Status	Coal analysis laboratory	Gas analysis laboratory
SEB 2-3	Stratigraphic hole	PL003/2004	511	Y	N	N		Saber Energy	P&A		
SEB 2-4	Stratigraphic hole	PL003/2004	625	Y	N	N		Saber Energy	P&A		
SEB 2-5	Stratigraphic hole	PL003/2004	544	Y	N	N		Saber Energy	P&A		

SRK Report Client Distribution Record

Project Number: TLO007

Report Title: Competent Person's Report

Date Issued: 15 November 2017

Name/Title	Company
Solomon Rowland	Tlou Energy

Rev No.	Date	Revised By	Revision Details
0	29/09/2017	Bruce McConachie	Draft report to client for review
1	15/11/2017	Bruce McConachie	Final report to client

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ANNEXURE D – LIST OF PLACEES AND DETAILS OF SALIENT TERMS OF THE PLACING AGREEMENT

LIST OF PLACEES:

The Placees include FNB Nominees (Pty) Ltd <AA BPOPF Equity>, African Alliance Botswana Value Fund, Botswana Medical Aid Scheme and Botswana Housing Corporation Pension Fund.

SALIENT TERMS OF THE PLACING AGREEMENT

This summary is neither exhaustive nor does it constitute a definitive definition of all the terms in the Placing Agreement (also known as a Subscription Agreement) for Shares between the Company and the above mentioned Placees.

Terms of the Offering

Under the Placing Agreement, the Placees (**"Subscribers"**) irrevocably agrees to subscribe for and agrees to purchase the number of shares of the Company ("**Shares**") set out in the Placing Agreement at a subscription price of BWP 1.56 per Share, upon and subject to the terms and conditions set out in the Placing Agreement.

The Subscribers acknowledge that completion of Placing under the agreement is subject to the following conditions:

a. The Company having received binding share subcriptions for a minimum amount of BWP 30,000,000; and

b. The Company obtaining informal approval to list on the Botswana Stock Exchange market through an introduction by the Botswana Stock Exchange Committee.

Closing

Upon the fulfillment of the conditions as set out in paragraph above, the Company shall notify the Subscribers in writing of their satisfaction that the conditions precedent have been fulfilled and that date shall be deemed to be the effective date ("**Effective Date").** On the effective Date the Subscribers shall deliver to the Company a certified cheque or bank draft payable to "Tlou Energy Ltd" for the Aggregate Subscription Price or payment of the same amount in such other manner as is acceptable to the Company. If this Subscription Agreement is rejected in whole or in part, the Subscriber acknowledges that the unused portion of the Aggregate Price will be promptly returned to it without interest.

The Company will after receiving the payment of the Placing shares subscribed by the Subscriber, post the share certificate within 7 days of receiving the payment of the Placing shares they have been allocated in terms of the Placing. Upon the successful Listing of the Company, the Subscriber will have the option to elect to receive the Company shares in dematerialised form and notify the Company of such intention in order to have their CSDB accounts credited with the Offered Shares they have been allocated in terms of the Offering.

Representations, Warranties and Covenants of the Subscriber

Each Subscriber has provided representations, warranties and covenants in favour of the Company which are market standard for an agreement of this type to acquire Subscription shares.

ANNEXURE E – SUMMARY OF THE CONSTITUTION

This summary is neither exhaustive nor does it constitute a definitive statement of the rights and liabilities of Shareholders as the case may be. A full copy of the Constitution is available on the Company's website.

c. **Objects** The Constitution does not specify any restrictions on the objects of the Company. Under the Corporations Act, the objects of the Company are unrestricted.

d. **Shares** Subject to any rights and restrictions attached to a class of Shares or other securities, the Company may by resolution of the Board issue Ordinary Shares, options to acquire Ordinary Shares, and other securities with rights of conversion to Ordinary Shares on any terms, to any person, at any time and for any consideration, as the Board resolves. The Constitution permits the issue of preference shares on terms determined by the Board.

e. **Alteration of rights** The Company may vary or cancel rights attached to Ordinary Shares in that class: with the consent in writing of members with at least 75 per cent. of the votes that may be cast in respect of Ordinary Shares in that class; or by a special resolution passed at a meeting of the Shareholders holding Shares in that class.

f. **Calls** The Board may from time to time call upon Shareholders for unpaid monies on their Ordinary Shares for any amount unpaid on that Ordinary Share which is not by the terms of issue of that Share made payable at fixed times, on any terms and at any times as the Board resolves. If such a call is made, Shareholders are liable to pay the amount of each call in the manner and at the time and place specified by the Board. Such calls may be payable by instalments, as determined by the Board. Subject to the ASX Listing Rules, the Company may by resolution of the Board revoke or postpone a call or extend the time for payment of a call, at any time prior to the date on which payment of that call is due. A call is made at the time of or as specified in the resolution of the Board authorising the call. If an amount called or otherwise payable to the Company in respect of an Ordinary Share is not paid by the time for payment, the person who owes the amount must pay the Company interest and all costs and expenses incurred due to the failure to pay.

g. **Forfeiture and lien** The Company may by a resolution of the Board forfeit Ordinary Shares of a Shareholder if that Shareholder does not pay a call or other amount payable in respect of that Share on or before the date for its payment and such amount remains unpaid following any notice sent to a Shareholder. Such forfeiture must occur in accordance with the Constitution, and the Australian Corporations Act. Unless the terms of issue of an Ordinary Share provide otherwise, the Company has a first ranking lien on an Ordinary Share for unpaid calls, unpaid loans made by the Company to acquire that Ordinary Share under an employee incentive scheme, any amount it is legally required to pay in relation to a Shareholder's Ordinary Shares and all related interest and expenses (to the extent permitted under the ASX Listing Rules). The lien extends to the proceeds of sale of that Ordinary Share and all dividends and entitlements declared in respect of that Ordinary Share. If the Company registers a transfer of any Ordinary Shares subject to such a lien without giving the transferee notice of the lien, the Shares are freed and discharged from the Company's lien.

h. **Share transfers** Ordinary Shares may be transferred in any manner required or permitted and approved by the Board and by any instrument in writing in any usual form or in any other form approved by the Board that is otherwise permitted by law. The Board may only refuse to register a transfer of securities of the Company as legally permitted.

i. **Shareholders' meetings** Each Shareholder and the Directors are entitled to receive notice of and attend any meeting of the Shareholders. Five Shareholders must be present to constitute a quorum for a Shareholders' meeting. No business may be transacted at any meeting of Shareholders (except the election of a Chairman and an adjournment) unless the quorum required is present at time when the meeting commences. The Company is obliged to convene and hold an annual general meeting in accordance with the Australian Corporations Act.

j. **Chairperson** The chairperson of the Board must chair each meeting of Shareholders. If the chairperson is not present at a Shareholders' meeting, the Directors will elect one of the Directors (or if none of the Directors are present and willing to act, the Shareholders may elect one of the Shareholders) to chair the meeting.

k. **Voting** Subject to restrictions on voting from time to time affecting any class of shares in the Company, and any legal restrictions, the Ordinary Shares carry the right to cast one vote on a show of hands and, on a poll, one vote for each fully paid share held, and for each partly paid share held, a vote having the same proportionate value as the proportion to which the Shares have been paid up. Voting may be in person or by proxy, attorney or representative.

l. **Demanding a poll** A poll on a resolution at a meeting of Shareholders may be demanded by a Shareholder only in accordance with the Australian Corporations Act or by the chairperson of that meeting.

m. **Directors** There must be a minimum of three Directors and a maximum number of nine Directors (not including alternate Directors), which the Board may from time to time determine, but it may not reduce the number below the number of Directors in office at the time of the determination. The Company may at a meeting of Shareholders at which a Director retires or otherwise vacates office, by resolution fill the vacated office by electing a person to that office. A Director must retire from office no later than the later of the third annual general meeting or three years, after the date that he or she was last elected or re-elected. The Board may appoint any person as a Director, however, if it does so the Director appointed must retire and is eligible for re-election at the next annual general meeting. A Director need not be a Shareholder.

n. **Power of Directors** the Board has the power to manage the business of the Company and may exercise to the exclusion of the Company in general meeting all powers of the Company.

o. **Remuneration of Directors** The remuneration of Non-Executive Directors is determined by the Board and must not in any financial year exceed in aggregate the amount last determined by the Company in a general meeting. The Board may determine the amount of remuneration to be paid to each Executive Director. The Company must not pay remuneration to Directors that is calculated as a commission on or percentage of operating revenue, or in the case of Non-Executive Directors, profits. In addition to director's fees, Directors are entitled to be receive additional remuneration for extra or special services provided, as resolved by the Board.

p. **Interests of Directors** A Director is disallowed from being present or voting on any matter in which he or she has a material personal interest, except where permitted by the Australian Corporations Act.

q. **Indemnities for Directors** The Company must indemnify current and past Directors and secretaries of the Company against any liability and legal costs incurred by them by virtue of their holding office as, and acting in the capacity of, director or secretary to the extent permitted by law.

r. **Insurance for Directors** The Company may also pay insurance premiums insuring current and past Directors and secretaries of the Company against any liability and legal costs incurred by them by virtue of their holding office as, and acting in the capacity of, director or secretary to the extent permitted by law.

s. **Dividends** Subject to the Australian Corporations Act, the Constitution and the rights or restrictions attached to a class of Ordinary Shares, the Board may determine that a dividend is payable on Ordinary Shares. If the Board determines that a dividend is payable to a class of shares, it will be paid on all shares of that class proportionate to the total amount for the time being paid on each Ordinary Share. Such dividend payment is subject to the rights and restrictions on the holders of Ordinary Shares created or raised under any special dividend arrangements. The Company is not required to pay any interest on a dividend.

t. **Dividend plans** The Board may establish and maintain a bonus share plan or a dividend reinvestment plan, which Shareholders may elect to take up, in respect of some or all their shares subject to the rules of the plan.

u. **Capitalisation of profits** Subject to the Australian Corporation Acts and the rights or restrictions attached to a class of Ordinary Shares, the Board has the power to capitalise any amount, being the whole or part of profits of the Company or the amount otherwise available for distribution to Shareholders. Such capitalisation must be in the same proportions, which the Shareholders would be entitled to receive if distributed by way of dividend or in accordance with the terms of issue of any Shares or terms of any plan for the issue of securities for the benefit of officers or employees of the Company.

v. **Winding up** Subject to any rights or restrictions attached to a class of Ordinary Shares, on a winding up of the Company, any surplus assets of the Company remaining after the payment of its debts must be divided among the Shareholders in the proportions which the amount paid (including amounts credited) on the Ordinary Shares of a Shareholder is of the total issue price of the Ordinary Shares of all Shareholders.

w. **Sale of small holdings** The Company may give notice to Shareholders holding unmarketable parcels of shares (Small Holders) once a year stating that their Ordinary Shares are liable to be sold by the Company and requiring them to elect if they wish some or all of those Ordinary Shares not to be sold. The notice must set a period of at least 42 days (or lesser period permitted by the Australian Corporations Act) within which Small Holders may notify the Company that they wish to retain their Ordinary Shares. If the Company does not receive any notification from Small Holders within that timeframe, the Company will be entitled to sell the Ordinary Shares of those Small Holders (provided no takeover bid for the Company is announced after the Company's notice to Small Holders was given).

x. **Disclosure of substantial shareholdings** Under the Australian Corporations Act, a person has a "substantial holding" if that person and his/her Associates have a relevant interest in 5 per cent or more of voting shares in a company. A person who begins to or ceases to have a substantial holding in a company, or has a substantial holding in a company and there is movement by at least 1 per cent in their holding, must give notice to the company and to the ASX. The contents of the notice are prescribed in the Australian Corporations Act, section 671B (3)/ (4).

y. **Partial takeover bids** The Company must refuse to register transfers of Ordinary Shares purporting to accept partial takeover bids unless a resolution of the Company has been passed approving the offers in accordance with the provisions of the Constitution.

ANNEXURE F – DETAILS OF THE PRE-LISTING STATEMENT AVAILABILITY

The Pre-Listing Statement will be available at the following locations:

Tlou Energy Limited
Ground Floor, Victoria House
Plot 132 Independence Ave.
Gaborone, Botswana

Motswedi Securities
Member of the Botswana Stock Exchange.
Plot 113, Unit 30,
Kgale Mews,
Gaborone P/Bag 00223,
Gaborone, Botswana

Armstrongs Attorneys
2nd Floor, Acacia House
Plot 74538, Cnr of Khama Crescent Ext
& PG Matante Road, New CBD
Gaborone