

Tlou Energy Limited

ABN 79 136 739 967

Annual Report and

Consolidated Financial Statements for the year ended 30 June 2023

Corporate Directory

ABN	79 136 739 967
Directors	Martin McIver Anthony Gilby Gabaake Gabaake Colm Cloonan Hugh Swire
Company Secretary	Solomon Rowland
Administration & Registered Office	210 Alice Street Brisbane QLD 4000 Australia
Telephone:	+61 7 3040 9084
Solicitors	HWL Ebsworth Level 19 480 Queen Street Brisbane QLD 4000
Auditors	BDO Audit Pty Ltd Level 10 12 Creek Street Brisbane QLD 4000
Bankers	Westpac Banking Corporation GPO Box 3433 Sydney NSW 2001
Share register	Australian Securities Exchange Ltd (ASX Code: TOU) AIM Stock Exchange UK (AIM Code: TLOU) Botswana Stock Exchange (BSE Code: TLOU)

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Chairman's letter

Dear Shareholders,

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

During the year Tlou progressed the construction of transmission lines to connect the Lesedi project to the grid, acquired a 4,000-hectare farm for the central processing facility, contracted the construction of the Lesedi substations, and the next phase of the production drilling commenced.

One of the final stages in the evaluation of the Lesedi project is commencement of the 10MW gas to electricity operation. To connect this project to the Botswana power grid, Tlou engaged Zismo Engineering Pty Ltd to construct a 100 km transmission line from the Lesedi project to Serowe. Construction of the 66kV transmission line is over 90% complete and is expected to be fully completed in the coming months. Tlou has also engaged South African based Optipower, a division of Murray & Roberts Ltd to undertake the construction of associated substations as part of the grid connection.

Tlou has acquired a 4,000-hectare property within the Lesedi project area. The property will be the location of the power generation assets, central processing facility, mechanical workshops, stores, casing and core yards, medical centre including helipad, and accommodation units.

Production drilling recommenced with the completion of the Lesedi 6 production pod and the drilling of new lateral sections of the Lesedi 4 pod. Lesedi 6 is the first of a series of new pods, funds permitting, that the Company will drill to supply gas for the initial 10MW project. While Lesedi 4 has produced gas for several years, redrilling of the laterals is aimed at providing straighter lateral sections to improve dewatering and gas flow. Tlou's current 2P gas reserves stand at approximately 41 billion cubic feet (~7.2m BOE).

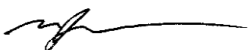
The Company's Mamba and Boomslang project areas are located adjacent to the Lesedi project. Tlou will continue to evaluate these projects and successful results could allow the Company to progress these areas separately to Lesedi, with the potential for gas-fired power.

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

During the 12-month period ending 30 June 2023, the Company successfully raised approximately AUD 14.8 million in equity and AUD 2.0 million loan funding to support ongoing project development. The Company's major shareholder ILC Investments Pty Ltd (ILC) now holds 34.86% of the Company's ordinary shares.

This has been a highly active year for Tlou. We look forward to another successful year ahead. I would like to take this opportunity to thank the Tlou Board, management, field staff and advisers, and most importantly our shareholders for their continued support during this exciting time for Tlou.

Yours faithfully,



Martin McIver
Chairman

Managing Director's Report

Dear Shareholders,

This year has been one characterised by significant activity in the field with our primary focus being the advancement of the Lesedi project.

We have recently completed drilling of additional gas production wells, with the Lesedi 4 and Lesedi 6 pods now dewatering ahead of expected gas flow. Additional drilling is planned at the Lesedi project as well as in our exploration tenements subject to available funding as we ready ourselves to generate first electricity as part of the final evaluation stage for the Lesedi project.

Tlou plans to have the Lesedi gas to power project producing electricity in 2024 and remains driven to ensuring the objective is met.

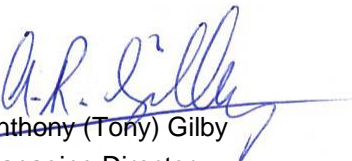
Southern Africa continues to operate under a severe energy deficit. This has the potential to impose significant constraint on economic activities, provision of public services, and quality of life, as well as on adoption of new technologies in various sectors such as education, agriculture, and finance.

Tlou Energy aims to be part of the solution to solve the regional energy deficit beginning with integrating gas fired power into the grid in Botswana.

With gas expected to be a vital part of the regional power mix in the coming years Tlou Energy is well positioned to become a significant power supplier.

We continue to monitor projects risks and opportunities and work towards creating value for all stakeholders.

Yours faithfully,



Anthony (Tony) Gilby
Managing Director

Directors' report

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity' or the 'Group') consisting of Tlou Energy Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at 30 June 2023.

General Information

Directors

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

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

Dividends

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

Principal activities

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

Significant changes in the state of affairs

There were no other significant changes to the state of affairs of the consolidated entity other than those disclosed in the financial report and notes thereof.

Review and results of operations

The loss for the year after interest amounted to \$4,241,208 (30 June 2022: \$4,329,116).

As a pre-revenue entity a loss for the year is expected and is in line with expectations. The key focus for the Company continues to be the Lesedi project area and specifically the work in relation to the planned 10MW gas-to-power project. Payments for exploration and evaluation assets amounted to \$11,886,628 over the year which included \$5,802,386 on construction of transmission lines and substations that will connect the Lesedi project to the electricity grid in Botswana. Payment to suppliers and employees over the year was \$3,164,020. Significant project funding was also acquired during the year, totalling \$14,853,721 in equity and \$2,000,000 by way of a loan. Most of these funds were received from ILC Investment Pty Ltd who is now the Company's largest shareholder at 34.86%.

Gas to Power Project

The Lesedi power project ("Lesedi") is Tlou's most advanced project. The first electricity to be generated at Lesedi is planned to go towards satisfying a 10MW Power Purchase Agreement (PPA) that has been signed with Botswana Power Corporation (BPC), the national power utility in Botswana. The Lesedi project currently has several components underway as part of the final evaluation stage including the construction of transmission lines, substations, a field operations facility and generation site as well as production well drilling.

Transmission Line and Substations

Lesedi is approximately 100km from the nearest BPC substation connection in Serowe. To connect to the national grid, the Company is undertaking the construction and installation of a 100km 66kV transmission line. This, together with the ongoing drilling program should enable the Company to connect and provide electricity into Botswana's power network.

The construction of the 66kV transmission line continued throughout the year and is over 90% complete. Key items outstanding include a road crossing and further stringing of the line. Transmission line work is on track to be completed later this year and in advance of planned first power into the grid.

Substations are required at either end of the transmission line, one to tie Tlou's generators to the transmission line at Lesedi and another to integrate the line with the existing BPC substation at Serowe. The planned substation at Lesedi is currently designed for an initial 5MW of power. The Company is now assessing options that may allow the current substation design to be adapted to facilitate expansion beyond 10MW. Based on the current timetable the substations are expected to be completed around Q2 2024.

Drilling Operations

Coalbed Methane (CBM) gas is the feedstock for power generation at Lesedi. The planned gas production wells to be used are referred to as Dual Lateral Pods that consist of three wells in total, one vertical production well intersected by two lateral wells drilled horizontally through the target reservoir section for several hundred metres. The Company recently drilled a new pod (Lesedi 6) and also redrilled the lateral sections of an existing pod, Lesedi 4. The aim of redrilling the Lesedi 4 lateral wells is to provide straighter lateral sections compared to the original lateral wells. The Lesedi 4 pod has flowed gas for a number of years and these straighter laterals are expected to assist with removing water from the reservoir to more efficiently dewater and flow gas. Both Lesedi 4 and Lesedi 6 pods were flushed to clear the wells and now have production equipment installed for dewatering ahead of gas production. In addition to requiring sufficient gas from Lesedi 4 and Lesedi 6, the Company will need to drill further wells that can supply sufficient gas for the planned 10MW project.

Exploration and Evaluation

As well as the Lesedi project area, the Company also holds six other prospecting licences (PL) at varying stages of exploration and evaluation. These include the Mamba project which consists of five PL's covering an area of approximately 4,500 Km² and the Boomslang licence (approx. 1,000 Km²). The Mamba and Boomslang licences are situated adjacent to Lesedi and could provide the Company with flexibility and optionality subject to results.

Matters subsequent to the end of the financial year

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

Likely developments, risks and expected results of operations

The Company is drilling wells in the Lesedi project area to produce CBM gas. These wells are designed to achieve sufficient gas flow rates for the Company's initial project development. The gas flow rates from these wells are vitally important to assess the viability and commerciality of the Lesedi project. However, at the date of this report the level of gas that may be produced from the project and if gas production rates will be at commercial rates is not yet known. Further wells will also be required to produce sufficient gas for the planned Lesedi project.

The Company is evaluating additional projects including solar power and possibly hydrogen production, carbon black/graphite production and crypto currencies in addition to the gas-fired power project. These projects may be subject to regulatory approvals. No guarantee can be given in relation to the results of the Company's operations, gas flow rates, regulatory approvals being granted or the ability to secure the funds required to progress all or any of the Company's existing or planned operations.

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

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

Climate	Climate change initiatives could have an impact on Tlou’s operations in the future. Climate initiatives could have a material impact on fossil fuel projects such as Tlou’s Lesedi gas-to power project.	Tlou’s Lesedi gas-to-power project aims to be part of a power market in sub-Saharan Africa that will move away from carbon intensive coal and diesel fired power generation. While also a fossil fuel, gas is viewed as a transitional fuel that can assist with providing base load power until such time that sustainable and/or renewable power sources can provide reliable 24-hour base load power. The Company is aware that it may need to adapt its process to meet future climate needs and will continue to assess new information as it becomes available.
Power Sales	The Company has signed a 10MW Power Purchase Agreement (PPA) with Botswana Power Corporation (BPC) with the aim for first power to be supplied into the national grid in 2024. There is a risk that the grid connection infrastructure could be delayed thereby postponing first power sales. No other agreements are currently in place for sale of power or gas to other parties.	The Company works closely with its contractors and engineers to progress infrastructure projects in a timely manner. Management continues to explore opportunities with other potential customers across the region, potentially via the Southern African Power Pool or within Botswana. The Company also aims to diversify its products including potentially producing solar power, hydrogen, carbon black/graphite and crypto currencies.
Geological Risk	The Company has over 8,000 square km of licence areas part of which has not had significant CBM operations to date. There remains significant geological risk in these areas and subject to operational results these areas may not be commercial.	Tlou has invested in seismic surveys and core hole drilling to identify areas of lower risk prior to conducting further exploration and evaluation. This strategy is planned for undeveloped areas of the project. After a decade of operating in the region and supported by external resource certifications, the operations team have and continue to develop an excellent knowledge of the geological area to help de-risk future exploration and evaluation operations.
Remote Operations	The Company operates over 100km from established medical and engineering support facilities in the closest urban area which increases costs and risks as well as requiring adequate insurance.	The Company has on-site paramedic support and has invested in its own stock of equipment so that it can operate as autonomously as possible over a greater range of activities. A purpose-built field operations camp is under construction which will be suitable for full development of the initial 10MW project and for further expansion.
People	The Company may lose key executives and management. The Company operates in a competitive environment in relation to talented corporate and technical personnel.	The Company continues to search for skilled staff to grow the team to satisfy the Company’s needs and ideally to have a lead person and back-up support person for all key positions. In addition, implementation of appropriate staff training and succession plans is a key target. The Company offers incentives and development opportunities for key executives and management to attract the best talent to the Company.

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

1,097,816 Ordinary Shares
750,000 Performance Rights

Experience

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

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

Martin was appointed Non-Executive Director in September 2010 and is currently the Chief Financial Officer of PWR Holdings Limited (ASX:PWH). During the past three years Martin has not served as a director of any other ASX listed companies.

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

Special Responsibilities

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

Interest in Shares and options

50,000,000 Ordinary Shares
750,000 Performance Rights

Experience

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

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

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

Gabaake Gabaake M.Sc.

Special Responsibilities

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

Interest in Shares and options

385,999 Ordinary Shares
2,750,000 Performance Rights

Experience

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

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

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

Colm Cloonan FCCA

Special Responsibilities

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

Interest in Shares and options

4,581,387 Ordinary Shares
4,750,000 Performance Rights

Experience

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

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

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

Hugh Swire BA (Hons)

Special Responsibilities

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

Interest in Shares and options

12,065,921 Ordinary Shares
 500,000 Performance Rights

Experience

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

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

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

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

Company secretary

Mr Solomon Rowland was appointed Company Secretary on 19 August 2015 and continues in office at the date of this report. Mr Rowland is a commercial lawyer with over 20 years' experience in various private, government and in-house legal roles. Solomon holds a Juris Doctor from the University of Queensland.

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

Meetings of directors

The number of meetings of the consolidated entity's Board of Directors and committees held during the year ended 30 June 2023, and the number of meetings attended by each Director are listed below. The Nomination & Remuneration committee comprises the full board.

	Board / Nomination & Remuneration Committee		Audit Committee		Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
M McIver	7	8	1	2	4	4
A Gilby	8	8	2	2	-	-
G Gabaake	6	8	-	-	4	4
C Cloonan	8	8	2	2	-	-
H Swire	8	8	2	2	4	4

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

Remuneration Report - audited

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

Remuneration policy

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

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

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

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

Key management personnel including Non-executive Directors located in Australia and employed executives receive the superannuation guarantee contribution required by the Commonwealth Government, which is currently 11% and do not receive any other retirement benefits. Individuals, however, can choose to sacrifice part of their salary to increase payments towards superannuation.

Non-Executive Director Remuneration

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

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

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

Performance conditions linked to remuneration

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

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

Key management personnel during the financial year ended 30 June 2023

Directors

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

Executives

Solomon Rowland	Company Secretary
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There were no other key management personnel of the consolidated entity during the financial year ended 30 June 2023.

Details of remuneration

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

Benefits and Payments for the year ended 30 June 2023

	Short-term benefits		Post Employment benefits	Long term benefits	Total Cash Remuneration	Performance Rights	Share based payments	Total
	Salary & Fees	Cash Bonus	Superannuation				Leave Benefits	
Directors	\$	\$	\$	\$	\$	\$		\$
M Mclver	60,000	-	6,300	-	66,300	-	0.0%	66,300
A Gilby	323,318	-	13,087	-	336,405	-	0.0%	336,405
G Gabaake	127,547	-	13,392	-	140,939	25,456	15.3%	166,395
C Cloonan	236,356	-	24,817	-	261,173	50,913	16.3%	312,086
H Swire	67,448	-	-	-	67,448	-	0.0%	67,448
Total Directors	814,669	-	57,596	-	872,265	76,369		948,634
Executives								
S Rowland	176,963	-	18,581	-	195,544	-	0.0%	195,544
Total Executives	176,963	-	18,581	-	195,544	-		195,544
Total	991,632	-	76,177	-	1,067,809	76,369		1,144,178

During the 2023 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. The share-based payments amount included in the table above relate to performance rights granted in the 2022. These amounts were not paid to staff. The figures represent an accounting valuation attributed to the performance rights. This valuation has been spread across 2022 and 2023.

Benefits and Payments for the year ended 30 June 2022

	Short-term benefits		Post Employment benefits	Long term benefits		Share based payments	Total
	Salary & Fees	Cash Bonus	Superannuation	Leave Benefits	Total Cash Remuneration	Performance Rights	
Directors	\$	\$	\$	\$	\$	\$	\$
M McIver	44,000	-	4,400	-	48,400	-	48,400
A Gilby	152,365	-	6,545	-	158,910	-	158,910
G Gabaake	106,210	-	10,621	-	116,831	77,400	194,231
C Cloonan	119,367	-	34,256	-	153,623	154,800	308,423
H Swire	44,000	-	-	-	44,000	-	44,000
Total Directors	465,942	-	55,822	-	521,764	232,200	753,964
Executives							
S Rowland	160,254	-	16,025	-	176,279	-	176,279
Total Executives	160,254	-	16,025	-	176,279	-	176,279
Total	626,196	-	71,847	-	698,043	232,200	930,243

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

Service agreements

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

Anthony Gilby	Managing Director and Chief Executive Officer
Term of Agreement:	Mr Gilby's services are provided in a personal capacity. The agreement has no fixed term.
Base Fee:	Mr Gilby has waived 50% of his contracted rate up to the end of the reporting period. The amount waived will not be payable by the Company at a future date. The annual cost to the Company excluding share-based payments (if any), after taking account of the 50% deduction, adjustments for industry standards and CPI was approximately \$336,000.
Termination Benefit:	No termination benefit is payable if terminated for cause.
Termination Notice:	The Company may give Mr Gilby three months' notice or pay 1.5 times his contracted salary in lieu of notice to terminate the Agreement.
Solomon Rowland	Company Secretary
Term of Agreement:	Mr Rowland's services are provided in a personal capacity. The agreement has no fixed term.
Base Fee:	Mr Rowland has agreed to waive up to 25% of his current contracted rate up to the end of the reporting period. The amount waived will not be payable by the Company at a future date. The annual cost to the Company excluding share-based payments (if any), after taking account of the 25% deduction, adjustments for industry standards and CPI was approximately \$196,000.
Termination Benefit:	No termination benefit is payable if terminated for cause.
Termination Notice:	The Company may give the Company Secretary six months' notice of its intention to terminate the Agreement.

Service agreements (continued)

Gabaake Gabaake	Executive Director
Term of Agreement:	Mr Gabaake's services are provided in a personal capacity. The agreement has no fixed term.
Base Fee:	The annual cost to the Company excluding share-based payments (if any), adjustments for industry standards and CPI was approximately \$141,000.
Termination Benefit:	No termination benefit is payable if terminated for cause.
Termination Notice:	The Company may give the Executive Director six months' notice of its intention to terminate the Agreement.
Colm Cloonan	Finance Director
Term of Agreement:	Mr Cloonan's services are provided in a personal capacity. The agreement has no fixed term.
Base Fee:	The annual cost to the Company excluding share-based payments (if any), adjustments for industry standards and CPI was approximately \$261,000.
Termination Benefit:	No termination benefit is payable if terminated for cause.
Termination Notice:	The Company may give the Finance Director six months' notice of its intention to terminate the Agreement.

Key management personnel shareholdings

The number of ordinary shares in Tlou Energy Limited held by each key management person of the consolidated entity during the financial year is set out below. These figures do not include any shares issued post year end.

30 June 2023	Balance at beginning of year	Granted as remuneration during the year	Additions	Disposals	Balance at date of resignation / appointment	Balance at end of year
M McIver	812,102	-	285,714	-	-	1,097,816
A Gilby	34,489,580	-	15,510,420	-	-	50,000,000
G Gabaake	385,999	-	-	-	-	385,999
C Cloonan	1,931,112	-	2,650,275	-	-	4,581,387
H Swire	10,065,921	-	2,000,000	-	-	12,065,921
S Rowland	475,000	-	571,429	-	-	1,046,429
	48,159,714	-	21,017,838	-	-	69,177,552

Key management personnel Options

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

30 June 2023	Balance at beginning of year	Granted as remuneration during the year	Additions	Expired	Balance at date of resignation / appointment	Balance at end of year
M McIver	-	-	-	-	-	-
A Gilby	6,249,999	-	-	(6,249,999)	-	-
G Gabaake	27,571	-	-	(27,571)	-	-
C Cloonan	375,000	-	-	(375,000)	-	-
H Swire	2,750,415	-	-	(2,750,415)	-	-
S Rowland	87,500	-	-	(87,500)	-	-
	9,490,485	-	-	(9,490,485)	-	-

Performance rights

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

Performance rights held by key management personnel at 30 June 2023 are as set out below:

	Tranche	Issue Date	Opening Balance	Issued	Exercised	Lapsed	Balance at Year End	Unvested	Value
M McIver	(i)	19-Oct-18	250,000	-	-	-	250,000	250,000	21,575
	(ii)	19-Oct-18	250,000	-	-	-	250,000	250,000	21,575
	(iii)	31-Jan-17	250,000	-	-	-	250,000	250,000	34,000
A Gilby	(i)	19-Oct-18	250,000	-	-	-	250,000	250,000	21,575
	(ii)	19-Oct-18	250,000	-	-	-	250,000	250,000	21,575
	(iii)	31-Jan-17	250,000	-	-	-	250,000	250,000	34,000
G Gabaake	(i)	19-Oct-18	250,000	-	-	-	250,000	250,000	21,575
	(ii)	19-Oct-18	250,000	-	-	-	250,000	250,000	21,575
	(iii)	31-Jan-17	250,000	-	-	-	250,000	250,000	34,000
	(iv)	15-Dec-21	1,000,000	-	-	-	1,000,000	1,000,000	41,800
	(v)	15-Dec-21	1,000,000	-	-	-	1,000,000	1,000,000	35,600
C Cloonan	(i)	19-Oct-18	250,000	-	-	-	250,000	250,000	21,575
	(ii)	19-Oct-18	250,000	-	-	-	250,000	250,000	21,575
	(iii)	31-Jan-17	250,000	-	-	-	250,000	250,000	34,000
	(iv)	15-Dec-21	2,000,000	-	-	-	2,000,000	2,000,000	83,600
	(v)	15-Dec-21	2,000,000	-	-	-	2,000,000	2,000,000	71,200
H Swire	(i)	19-Oct-18	250,000	-	-	-	250,000	250,000	21,575
	(ii)	19-Oct-18	250,000	-	-	-	250,000	250,000	21,575
S Rowland	(i)	19-Oct-18	250,000	-	-	-	250,000	250,000	21,575
	(ii)	19-Oct-18	250,000	-	-	-	250,000	250,000	21,575
	(iii)	31-Jan-17	250,000	-	-	-	250,000	250,000	34,000
Total			10,250,000	-	-	-	10,250,000	10,250,000	661,100

Tranche	Performance conditions and expiry date
(i)	To vest the share price needs to be AUD \$0.165 or greater for a period of 10 consecutive trading days. These performance rights expire on 31/01/2025.
(ii)	To vest the share price needs to be AUD \$0.22 or greater for a period of 10 consecutive trading days. These performance rights expire on 31/01/2025.
(iii)	To vest the share price needs to be AUD \$0.28 or greater for a period of 10 consecutive trading days. These performance rights expire on 31/01/2024.
(iv)	To vest the share price needs to be AUD \$0.10 or greater for a period of 10 consecutive trading days. These performance rights expire on 31/01/2025.
(v)	To vest the share price needs to be AUD \$0.165 or greater for a period of 10 consecutive trading days. These performance rights expire on 31/01/2025.

Shares issued on exercise of performance rights

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

Relationship between remuneration and Company performance

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

	2023	2022	2021	2020	2019
Share price at end of financial year (\$)	0.034	0.028	0.039	0.040	0.12
Market capitalisation at end of financial year (\$M)	35	17	23	18	52
Loss for the financial year (\$)	(4,241,208)	(4,329,116)	(2,054,237)	(12,950,601)	(3,216,695)
Cash spend on exploration programs (\$)	(11,886,628)	(2,639,000)	(797,340)	(1,766,761)	(6,942,758)
Director and Key Management Personnel remuneration (\$)	1,144,178	930,243	637,521	1,033,623	1,560,338

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 and pre-development stage. Share prices are subject to market sentiment towards the sector and increases or decreases may occur independently of executive performance or remuneration.

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

No remuneration consultants were used in the 2023 financial year.

Other transactions with key management personnel and their related parties

	2023	2022
	\$	\$
<u>Payment for goods and services:</u>		
Office rent paid to The Gilby McKay Alice Street Partnership, a director-related entity of Anthony Gilby.	15,600	12,900

Terms and conditions: Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated. There were no amounts payable as at 30 June 2023 (2022: Nil).

(End of Remuneration Report)

Shares under option

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

Performance rights

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

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

Shares issued on the exercise of options and performance rights

Other than those disclosed in the tables above there were no ordinary shares of Tlou Energy Limited issued during or since the year ended 30 June 2023 on the exercise of options or performance rights granted or up to the date of this report.

Indemnity and insurance of officers

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

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

Indemnity and insurance of auditor

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

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

Proceedings on behalf of the Company

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

Currency and rounding

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* can be found on page 24.

Auditor

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

Non-audit services

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

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

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

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

	2023	2022
	\$	\$
Non-audit services - BDO Australia:		
Tax consulting and compliance services	10,000	9,575
Total	10,000	9,575

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, 29 September 2023

2023 Annual Reserves Statement

Tlou Energy Limited is pleased to present its Annual Reserves Statement for the period ending 30 June 2023. There has been no adjustment to the net gas reserves and contingent resources of the Company since the last upgraded reserves were announced on 20 February 2018. Please refer to the ASX announcement on 20 February 2018 for full details of the consolidated entity's gas reserves and contingent resources.

An independent review of the Company's gas reserves and contingent resources is planned which may result in an upgrade or downgrade of the current gas reserves and contingent resources. Having conducted an internal review of its gas reserves and resources position during the reporting period and satisfying itself that there was no new data available that might materially increase or decrease the reserves or resources estimates reported during the reporting period, the Company hereby presents the net gas reserves and contingent resources on a combined basis as well as for each of its individual tenements as at 30 June 2023.

This information was prepared and first disclosed under the SPE-PRMS 2007. It has not been updated since to comply with the SPE-PRMS 2018 on the basis that the information has not materially changed since it was last reported.

Location	Project	Tlou Interest	Gas Reserves (BCF)					
			30/06/2023	30/06/2022	30/06/2023	30/06/2022	30/06/2023	30/06/2022
			1P*	1P	2P*	2P	3P	3P
Karoo Basin Botswana	Lesedi CBM (all coal seams) PL001/2004, ML 2017/18L	100%	0.34	0.34	25.2	25.2	252	252
Karoo Basin Botswana	Mamba CBM (Lower Morupule coal) PL238/2014 – PL241/2014	100%	0.01	0.01	15.5	15.5	175	175
Karoo Basin Botswana	PL003/2004, PL035/2000, PL037/2000	100%	-	-	-	-	-	-
Total			0.35	0.35	40.7	40.7	427	427

Location	Project	Tlou Interest	Gas Contingent Resource (BCF)					
			30/06/2023	30/06/2022	30/06/2023	30/06/2022	30/06/2023	30/06/2022
			1C	1C	2C**	2C**	3C	3C
Karoo Basin Botswana	Lesedi CBM (all coal seams) PL001/2004, ML 2017/18L	100%	4.6	4.6	214	214	3,043	3,043
Karoo Basin Botswana	Mamba CBM (Lower Morupule coal) PL238/2014 – PL241/2014	100%	-	-	-	-	-	-
Karoo Basin Botswana	PL003/2004, PL035/2000, PL037/2000	100%	-	-	-	-	-	-
Total			4.6	4.6	214	214	3,043	3,043

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 2023 and comparative petroleum reserves certified at 30 June 2022.

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 2023 from external independent consultants who are qualified petroleum reserves and resource evaluators as prescribed by the ASX Listing Rules.
- Tlou Energy estimates and reports its petroleum reserves and resources in accordance with the definitions and guidelines of the Petroleum Resources Management System 2007, published by the Society of Petroleum Engineers (SPE PRMS).
- To ensure the integrity and reliability of data used in the reserves estimation process, the raw data is reviewed by senior reservoir and geological staff and consultants at Tlou Energy before being provided to the independent reserve certifiers. Tlou Energy has not and does not currently intend to conduct internal reviews of petroleum reserves preferring to appoint independent external experts prior to reporting any updated estimates of reserves or resources to ensure an independent and rigorous review of its data.
- Tlou Energy reviews and updates its gas reserves and resources position on an annual basis to ensure that if there is any new data that might affect the reserves or resources estimates of the Company steps can be taken to ensure that the estimates are adjusted accordingly.

** Listing Rule 5.40.1:

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

Listing Rule 5.40.2:

- The table shows the 2C and 3C contingent resources as at 30 June 2023 as against the previous year. The net 2C and 3C contingent resources did not increase from the 2022 year to the 2023 year.
- There were no other changes to the 2C and 3C contingent resources since the announcement on 20 February 2018.

Listing Rule 5.44:

- The estimates of Reserves and Contingent Resources appearing in the 2023 Annual Reserves Statement for Tlou Energy Limited and its subsidiaries are based on, and fairly represent, information and supporting documentation determined by the various qualified petroleum reserves and resource evaluators listed below.
- The gas reserves and resource estimates for the Lesedi CBM Project provided in this report were released to the Market on 20 February 2018 ('Announcement'). Tlou Energy confirms that it is not aware of any new information or data that materially affects the information included in the Announcement and that all the material assumptions and technical parameters underpinning the estimates in the Announcement continue to apply and have not materially changed. The gas reserve and resource estimates are based on and fairly represents, information and supporting documentation and were determined by Dr. Bruce Alan McConachie of SRK Consulting (Australasia) Pty Ltd, in accordance with Petroleum Resource Management System guidelines which were issued in 2007 and were in use in February 2018. The most recent changes to these guidelines, which revised those 2007 guidelines, was issued in June 2018. These revised guidelines will form the basis of any future assessments. The guidelines were re-affirmed by Mr Carl D'Silva of SRK. Mr D'Silva is considered to be a qualified person as defined under the ASX Listing Rule 5.42 and has given his consent to the use of the resource figures in the form and context in which they appear in this report.

Notes to Net Reserves and Resources Table:

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

Auditor's independence declaration



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

As lead auditor of Tlou Energy Limited for the year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Tlou Energy Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'R J Liddell'.

R J Liddell
Director

BDO Audit Pty Ltd

Brisbane, 29 September 2023

Consolidated Statement of Comprehensive Income for the year ended 30 June 2023

	Note	Consolidated	
		June 2023 \$	June 2022 \$
Interest income		21,747	9
Expenses			
Employee benefits expense	3	(1,104,063)	(683,630)
Depreciation expense	11	(209,320)	(547,217)
Impairment - exploration and evaluation assets	9	-	(166,054)
Foreign exchange gain/(loss)		140,528	(153,643)
Interest expense	14/15	(647,457)	(241,917)
Share based payment expense	3/19	(99,651)	(232,200)
Professional fees		(440,509)	(284,451)
Occupancy costs	3	(15,600)	(18,048)
Other expenses	3	(1,790,078)	(1,311,694)
Fair value gain/(loss) on financial instruments	16	(96,805)	(690,271)
LOSS BEFORE INCOME TAX		(4,241,208)	(4,329,116)
Income tax	4	-	-
LOSS FOR THE PERIOD		(4,241,208)	(4,329,116)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		(2,728,403)	(1,717,869)
Tax effect		-	-
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS)		(2,728,403)	(1,717,869)
TOTAL COMPREHENSIVE INCOME/(LOSS)		(6,969,611)	(6,046,985)
Earnings per share			
		Cents	Cents
Basic loss per share	5	(0.5)	(0.7)
Diluted loss per share	5	(0.5)	(0.7)

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 2023

	Note	Consolidated	
		June 2023	June 2022
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	6	6,848,717	7,875,025
Trade and other receivables	7	1,311,444	424,220
Other current assets	8	1,140,791	178,887
TOTAL CURRENT ASSETS		9,300,952	8,478,132
NON-CURRENT ASSETS			
Exploration and evaluation assets	9	60,442,961	50,180,613
Other non-current assets	10	483,775	602,112
Property, plant and equipment	11	1,399,531	366,492
TOTAL NON-CURRENT ASSETS		62,326,267	51,149,217
TOTAL ASSETS		71,627,219	59,627,349
CURRENT LIABILITIES			
Trade and other payables	12	2,405,713	563,599
Derivatives	16	-	696,153
Lease liabilities		15,968	13,792
Provisions	13	417,158	319,903
TOTAL CURRENT LIABILITIES		2,838,839	1,593,447
NON-CURRENT LIABILITIES			
Convertible notes	14	8,086,011	7,263,643
Long term loan	15	2,000,000	-
Derivatives	16	122,005	67,600
Lease liabilities		37,797	56,530
Provisions	13	134,000	113,000
TOTAL NON-CURRENT LIABILITIES		10,379,813	7,500,773
TOTAL LIABILITIES		13,218,652	9,094,220
NET ASSETS		58,408,567	50,533,129
EQUITY			
Contributed equity	17	121,509,325	106,763,927
Reserves		(9,344,768)	(6,716,016)
Accumulated losses		(53,755,990)	(49,514,782)
TOTAL EQUITY		58,408,567	50,533,129

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 2023

	Contributed Equity	Share Based Payments Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total
	\$	\$	\$	\$	\$
Consolidated					
Balance at 1 July 2021	106,763,927	925,604	(6,155,951)	(45,185,666)	56,347,914
Loss for the period	-	-	-	(4,329,116)	(4,329,116)
Other comprehensive income, net of tax	-	-	(1,717,869)	-	(1,717,869)
Total comprehensive income	-	-	(1,717,869)	(4,329,116)	(6,046,985)
Transactions with owners in their capacity as owners					
Share based payments	-	232,200	-	-	232,200
	-	232,200	-	-	232,200
Balance at 30 June 2022	106,763,927	1,157,804	(7,873,820)	(49,514,782)	50,533,129
Balance at 1 July 2022	106,763,927	1,157,804	(7,873,820)	(49,514,782)	50,533,129
Loss for the period	-	-	-	(4,241,208)	(4,241,208)
Other comprehensive income, net of tax	-	-	(2,728,403)	-	(2,728,403)
Total comprehensive income	-	-	(2,728,403)	(4,241,208)	(6,969,611)
Transactions with owners in their capacity as owners					
Share based payments	-	99,651	-	-	99,651
Shares issued, net of costs	14,745,398	-	-	-	14,745,398
	14,745,398	99,651	-	-	14,845,049
Balance at 30 June 2023	121,509,325	1,257,455	(10,602,223)	(53,755,990)	58,408,567

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 2023

	Note	Consolidated	
		June 2023 \$	June 2022 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees (inclusive of GST and VAT)		(3,164,020)	(2,461,808)
Interest received		21,747	9
Interest paid		(16,438)	-
GST and VAT received		422,234	93,187
NET CASH USED IN OPERATING ACTIVITIES	27	(2,736,477)	(2,368,612)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for exploration and evaluation assets		(11,886,628)	(2,639,000)
Payment for property, plant and equipment		(1,883,994)	(274,654)
NET CASH USED IN INVESTING ACTIVITIES		(13,770,622)	(2,913,654)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	17	14,853,721	-
Proceeds from borrowings		2,000,000	7,036,000
Issue costs	17	(108,323)	(167,973)
Payments of lease liabilities		(13,336)	(15,997)
NET CASH PROVIDED BY FINANCING ACTIVITIES		16,732,062	6,852,030
Net (decrease)/increase in cash held		224,963	1,569,764
Cash at the beginning of the period		7,875,025	6,385,384
Effects of exchange rate changes on cash		(1,251,271)	(80,123)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	6	6,848,717	7,875,025

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 30.

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

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

Operations and principal activities

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

Currency

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

Authorisation of financial report

The financial report was authorised for issue on 29 September 2023.

Basis of preparation

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

Compliance with IFRS

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

Historical cost convention

The consolidated financial statements have been prepared on an accruals basis and are based on historical costs except for derivative financial instruments which are measured at fair value.

Critical accounting estimates

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

Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Refer to Note 18 for accounting policy on translation of foreign operations.

Notes to the financial statements (continued)

Note 1 Significant accounting policies (continued)

Going Concern

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

Because of the nature of the operations, exploration or pre-development companies, such as Tlou Energy Limited, find it necessary on a regular basis to raise additional cash funds for future exploration and development activity and meet other necessary corporate expenditure. The Company is currently discussing potential equity investments with interested parties. These funds will be needed to fund ongoing operations and working capital requirements for the next 12 months. In addition, the consolidated entity may need to raise further capital to expand and develop its projects. Accordingly, the consolidated entity is in the process of investigating various options for the raising of additional funds which may include but is not limited to an issue of shares or the sale of exploration assets where increased value has been created through previous exploration activity.

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

The financial report does not include adjustments relating to the recoverability or classification of recorded assets amounts or to the amounts or classification of liabilities that might be necessary should the consolidated entity not be able to continue as a going concern.

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

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

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

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

Notes to the financial statements (continued)

Note 1 Significant accounting policies (continued)

(b) Income recognition

Interest

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

Other income

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

(c) Impairment of non-financial assets

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

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

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

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

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

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

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

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

(e) Comparative figures

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

Notes to the financial statements (continued)

Note 1 Significant accounting policies (continued)

(f) Financial Instruments*Classification*

The group classifies its financial assets in the following measurement categories:

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

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

Measurement

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

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

Impairment

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

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

Derivative financial instruments

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

Notes to the financial statements (continued)

Note 1 Significant accounting policies (continued)

(g) Leases

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

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

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

Lease Liabilities

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

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

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

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

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

Right-of-use Assets

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

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

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

Low Value Assets

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

Notes to the financial statements (continued)

Note 1 Significant accounting policies (continued)

(h) Borrowings

Financial liabilities

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

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

Convertible notes

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

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

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

Notes to the financial statements (continued)

Note 1 Significant accounting policies (continued)

(i) Revenue

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

Revenue from contracts with customers

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

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

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

(j) New Accounting Standards and Interpretations

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

(k) New Standards and Interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2023 reporting periods. The consolidated entity has decided against early adoption of these standards. The consolidated entity has assessed the impact of these new standards that are not yet effective and determined that they are not expected to have a material impact on the consolidated entity in the current or future reporting periods and on foreseeable future transactions.

Notes to the financial statements (continued)

Note 2. Critical accounting judgements, estimates and assumptions

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

Exploration & evaluation assets

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

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

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

At the date of this report the Directors consider that Tlou is still in the E&E phase. While the Company has made significant strides during 2023, the three points above are still relevant, i.e. (i) commercial gas flow rates are yet to be established, (ii) agreed funding to commercialise the project is not yet in place, (iii) we have not reached a final investment decision. Based on these facts and despite the progress this year the project remains in the E&E stage.

Deferred Tax assets

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

In addition, the consolidated entity has recognised deferred tax assets relating to carried forward tax losses to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same subsidiary against which the unused tax losses can be utilised. However, utilisation of the tax losses also depends on the ability of the entity, which is not part of the tax consolidated group, to satisfy certain tests at the time the losses are recouped. Due to the parent entity acquiring the entity that holds the losses it is expected that the entity will fail to satisfy the continuity of ownership test and therefore must rely on the same business test. As at 30 June 2023 the consolidated entity has not received advice that the losses are unavailable, however should this change in the future the consolidated entity may be required to derecognise these losses.

Notes to the financial statements (continued)

Note 3. Expenses

	Consolidated	
	June 2023	June 2022
	\$	\$
Loss before income tax includes the following specific expenses:		
Employee benefits expense		
• Defined contribution superannuation expense	86,731	64,637
• Performance rights	99,651	232,200
• Other employee benefits expense	1,017,332	618,993
	1,203,714	915,830
Occupancy costs		
• Rental expense relating to short-term leases - minimum lease rentals	15,600	12,900
• Other occupancy costs	-	5,148
	15,600	18,048
Other expenses include the following specific items:		
• Travel and accommodation costs	216,403	75,695
• Consultants	174,488	443,082
• Stock exchange, advisory, secretarial fees	400,602	258,001
• Investor relations	634,999	314,250

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 2023	June 2022
	\$	\$
Loss before income tax	(4,241,208)	(4,329,116)
Tax at the domestic tax rates applicable to profits in the country concerned at 30% (2022: 30%)	(1,272,362)	(1,298,735)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Other non-deductible items	(844,141)	1,142,896
Difference in overseas tax rates	(38,637)	(97,877)
Deferred tax asset not recognised	2,155,140	253,716
Income tax benefit	-	-
Recognised deferred tax assets		
Unused tax losses	6,701,070	6,327,074
	6,701,070	6,327,074
Recognised deferred tax liabilities		
Assessable temporary differences	6,701,070	6,327,074
	6,701,070	6,327,074
Net deferred tax liability recognised	-	-
Unrecognised temporary differences and tax losses		
Unused tax losses and temporary differences for which no deferred tax asset has been recognised	47,594,215	45,777,185

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

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

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

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

	Consolidated	
	June 2023	June 2022
	\$	\$
Reconciliation of earnings used in calculating basic and diluted loss per share:		
Loss for the year attributable to owners of Tlou Energy Limited	(4,241,208)	(4,329,116)
Loss used in the calculation of the basic and dilutive loss per share	(4,241,208)	(4,329,116)
Weighted average number of ordinary shares used as the denominator		
Number used in calculating basic and diluted loss per share	Number 803,547,703	Number 600,199,039

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

Notes to the financial statements (continued)

Note 6. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

	Consolidated	
	June 2023	June 2022
	\$	\$
Cash at bank	6,848,717	7,875,025
	6,848,717	7,875,025

Note 7. Trade and Other Receivables

	Consolidated	
	June 2023	June 2022
	\$	\$
Current		
Other receivables	23,443	34,448
GST/VAT receivable	1,288,001	389,772
	1,311,444	424,220

Note 8. Other Current Assets

	Consolidated	
	June 2023	June 2022
	\$	\$
Prepayments	1,140,791	178,887
	1,140,791	178,887

Notes to the financial statements (continued)

Note 9. Exploration and Evaluation Assets

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest or project. 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 or project 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 and project to determine the appropriateness of continuing to carry forward related costs.

	Consolidated	
	June 2023	June 2022
	\$	\$
Exploration and evaluation assets	60,442,961	50,180,613
	60,442,961	50,180,613
Movements in exploration and evaluation assets		
Balance at the beginning of period	50,180,613	48,855,466
Exploration and evaluation expenditure during the year	12,281,203	2,874,610
Impairment expense	-	(166,054)
Foreign currency translation	(2,018,855)	(1,383,409)
Balance at the end of period	60,442,961	50,180,613

Included in exploration and evaluation assets is expenditure incurred on contracts for the construction of a transmission line and associated substations to connect the Company's Lesedi Power Project to the existing power grid in Botswana. At 30 June 2023 total costs on these items amounted to \$7,265,668 (2022: \$948,446). In the prior year financial statement these assets were itemised separately under non-current assets.

The recoupment of costs carried forward in relation to projects or areas of interest in the exploration and evaluation phase is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

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

Note 10. Other non-current assets

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

	Consolidated	
	June 2023	June 2022
	\$	\$
Inventory and well consumables - at cost	483,775	602,112
	483,775	602,112

Notes to the financial statements (continued)

Note 11. Property, Plant and Equipment

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

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

Plant and equipment 3-7 years

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

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

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

	Consolidated	
	June 2023	June 2022
	\$	\$
Right-of-use assets, plant and equipment at cost	5,221,832	4,186,262
Accumulated depreciation	(3,822,301)	(3,819,770)
	1,399,531	366,492

Movements in Carrying Amounts

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

	Land and Buildings	Site Equipment	Motor Vehicles	Office Equipment	Furniture and Fittings	Total
Balance at the beginning of year	130,354	150,964	33,509	51,665	-	366,492
Additions	1,058,057	116,821		14,443	133,373	1,322,694
Disposals		(3,307)		(15,758)	(2,374)	(21,439)
Depreciation and amortisation	(16,342)	(129,261)	(26,484)	(4,555)	(11,671)	(188,313)
Foreign exchange movements	(58,159)	(12,943)	(1,640)	(777)	(6,384)	(79,903)
Carrying amount at the end of year	1,113,910	122,274	5,385	45,018	112,944	1,399,531

Included in property, plant and equipment are right-of-use assets with a carrying value of \$60,059 (2022: \$70,323).

Notes to the financial statements (continued)

Note 12. 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 2023	June 2022
	\$	\$
Current		
Trade payables	1,828,818	445,994
Accruals	533,379	95,337
Other payables	43,516	22,268
	2,405,713	563,599

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 13. Provisions

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

Rehabilitation

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

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

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

Long service leave

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

Notes to the financial statements (continued)

Note 13 Provisions (continued)

Employee benefits – Botswana Severance

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

Severance pay

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

	Consolidated	
	June 2023	June 2022
	\$	\$
Current		
Employee benefits	243,590	189,912
Employee benefits - Botswana severance	173,568	129,991
	417,158	319,903
Non-current		
Rehabilitation	134,000	113,000
	134,000	113,000
Movements in rehabilitation provision during the year		
Balance at the beginning of the year	113,000	114,000
Rehabilitation required on wells drilled during the year	21,000	-
Completed during the year	-	(1,000)
Carrying amount at the end of the year	134,000	113,000

Notes to the financial statements (continued)

Note 14. Convertible notes

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

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

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

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

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

	Consolidated	
	June 2023	June 2022
	\$	\$
Face value of notes issued	-	7,036,000
Derivative – refer note 17	-	(73,482)
Issue costs	-	(167,673)
Host liability on initial recognition	-	6,794,845
Opening Balance/Host liability on initial recognition	7,263,643	6,794,845
Interest expense	614,581	241,917
Interest paid	-	-
Effect of foreign exchange movement	207,787	226,881
Non-current host liability	8,086,011	7,263,643
Total Borrowings	8,086,011	7,263,643

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

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

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

The derivative is subsequently recognised at fair value at each reporting date – refer note 16 for further details.

Notes to the financial statements (continued)

Note 15. Long Term Loan

	Consolidated	
	June 2023	June 2022
Non-current Liabilities	\$	\$
Loan from ILC Investments Pty Ltd	2,000,000	-
Interest expense	32,876	-
Interest paid/accrued	(32,876)	-
	<u>2,000,000</u>	<u>-</u>

ILC Investments Pty Ltd (“ILC”) provided a \$2m loan to the Company. ILC is Tlou’s largest shareholder. The Loan has a three-year term, commencing on 1 May 2023 and there are no arrangement fees. Interest will be charged at 10% per annum and payable each quarter. The Loan is unsecured and is scheduled to be repaid at the end of the term (30 April 2026). However, the Loan can be repaid in advance at any time without penalty should funds be available to do so.

Note 16. Derivatives

	Consolidated	
	June 2023	June 2022
<u>Current</u>	\$	\$
Opening balance	696,153	-
Fair value movement recognised in profit or loss	42,400	696,153
Settlement of forward contracts	(738,553)	-
Closing balance	<u>-</u>	<u>696,153</u>

	Consolidated	
	June 2023	June 2022
<u>Non-current</u>	\$	\$
Opening balance	67,600	-
On initial recognition	-	73,482
Fair value movement recognised in profit or loss	54,405	(5,882)
Closing balance	<u>122,005</u>	<u>67,600</u>

Non-current derivatives relate to the conversion feature included in the convertible notes issued on 24 January 2022. The initial fair value and the value as at 30 June 2023 of the derivative portion of the note was determined using a binomial option model.

Fair value measurements

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

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

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

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

Notes to the financial statements (continued)

Note 16 Derivatives (continued)

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

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

Note 17. Contributed equity

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

	June 2023	June 2022	Consolidated	
			June 2023	June 2022
	Shares	Shares	\$	\$
Opening balance	600,199,039	600,199,039	106,763,927	106,763,927
Issue of ordinary shares during the year	424,383,986	-	14,853,721	-
Share issue costs	-	-	(108,323)	-
Ordinary shares - fully paid	1,024,583,025	600,199,039	121,509,325	106,763,927

Ordinary shares issued during the year

	Issue Date	No. of Shares	Issue Price (AUD)
Exercise of Options	18-Jul-22	6,250	\$0.08
Placement	9-Nov-22	57,142,857	\$0.035
Placement	16-Nov-22	85,714,286	\$0.035
Placement	27-Jan-23	87,653,278	\$0.035
Placement	27-Mar-23	5,714,284	\$0.035
Entitlement Offer	22-Jun-23	188,153,031	\$0.035

Ordinary shares

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

Capital risk management

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

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

Notes to the financial statements (continued)

Note 18. Reserves

Foreign Currency Translation Reserve

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

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

Foreign operations

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

Share Based Payments Reserve

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

Note 19. Share-based payments

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

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

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

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

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

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

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

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

Notes to the financial statements (continued)

Note 19 Share based payments (continued)

Employee Share Options and Performance Rights

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

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

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

Options

At 30 June 2023, there were no outstanding options for ordinary shares in Tlou Energy Limited.

Issued to:	Grant Date	Exercise Price	Expiry date	1/07/2022	Issued	Exercised	Expired	30/06/2023
Shareholders	20-Jul-20	\$0.08	20-Jul-22	37,509,400	-	(6,250)	(37,503,150)	-
Service providers	20-Jul-20	\$0.08	20-Jul-22	20,000,000	-	-	(20,000,000)	-
				<u>57,509,400</u>	<u>-</u>	<u>(6,250)</u>	<u>(57,503,150)</u>	<u>-</u>

At 30 June 2022, the following options for ordinary shares in Tlou Energy Limited were on issue.

Issued to:	Grant Date	Exercise Price	Expiry date	1/07/2021	Issued	Exercised	Expired	30/06/2022
Shareholders	20-Jul-20	\$0.08	20-Jul-22	37,509,400	-	-	-	37,509,400
Service providers	20-Jul-20	\$0.08	20-Jul-22	20,000,000	-	-	-	20,000,000
				<u>57,509,400</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>57,509,400</u>

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

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

Notes to the financial statements (continued)

Note 19 Share based payments (continued)

Performance Rights

At 30 June 2023, the following performance rights were on issue.

Issue Date	Hurdle Price	Expiry date	1/07/2022	Issued	Exercised	Lapsed	30/06/2023
31/01/2017	\$0.28	31/01/2024	2,275,000	-	-	-	2,275,000
19/10/2018	\$0.165	31/01/2025	2,225,000	-	-	(50,000)	2,175,000
19/10/2018	\$0.22	31/01/2025	2,225,000	-	-	(50,000)	2,175,000
15/12/2021	\$0.10	31/01/2025	3,000,000	-	-	-	3,000,000
15/12/2021	\$0.165	31/01/2025	3,000,000	-	-	-	3,000,000
1/02/2023	\$0.165	31/01/2025	-	2,000,000	-	-	2,000,000
1/02/2023	\$0.22	31/01/2025	-	2,000,000	-	-	2,000,000
1/02/2023	\$0.28	31/01/2025	-	2,000,000	-	-	2,000,000
			12,725,000	6,000,000	-	(100,000)	18,625,000

Performance Condition

(i)	To vest the share price needs to be AUD \$0.28 or greater for a period of 10 consecutive trading days. These performance rights expire on 31/01/2024.
(ii)	To vest the share price needs to be AUD \$0.165 or greater for a period of 10 consecutive trading days. These performance rights expire on 31/01/2025.
(iii)	To vest the share price needs to be AUD \$0.22 or greater for a period of 10 consecutive trading days. These performance rights expire on 31/01/2025.
(iv)	To vest the share price needs to be AUD \$0.10 or greater for a period of 10 consecutive trading days. These performance rights expire on 31/01/2025.
(v)	To vest the share price needs to be AUD \$0.28 or greater for a period of 10 consecutive trading days. These performance rights expire on 31/01/2025.

Each performance right provides the right to receive one share, subject to the satisfaction of any applicable performance conditions. Unless the Board exercises its discretion, performance rights are forfeited on the occurrence of certain specified events, including, but not limited to, ceasing to be an employee or contractor of the Company or its associated entities for any reason, including, but not limited to death, illness, permanent disability, redundancy or otherwise.

Fair value of performance rights granted

The fair value at grant date is determined using a binomial option pricing model that takes into account the exercise price, the term of the performance rights, 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 performance rights.

The model inputs for performance rights granted during the year ended 30 June 2023 included:

- (a) Performance rights are granted for no consideration and vest based on the conditions noted above
- (b) exercise price: \$nil
- (c) grant date: 1 February 2023
- (d) expiry date: 31 January 2025
- (e) share price at grant date: \$0.04
- (f) expected price volatility: 100%
- (g) expected dividend yield: 0%
- (h) risk-free interest rate: 3.16%

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

Notes to the financial statements (continued)

Note 19 Share based payments (continued)

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

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

Expenses arising from share-based payment transactions

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

	Consolidated	
	June 2023	June 2022
	\$	\$
Performance rights	99,651	232,200
	99,651	232,200

The weighted average remaining contractual life of performance rights outstanding at the end of the period is 1.47 years (2022: 2.41 years).

Note 20. Commitments**Exploration and evaluation expenditure:**

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

	Consolidated	
	June 2023	June 2022
	\$	\$
Minimum expenditure requirements		
• not later than 12 months	5,630,270	6,257,100
• between 12 months and 5 years	263,181	1,769,692
	5,893,451	8,026,792

Notes to the financial statements (continued)

Note 21. Financial instruments**Overview**

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

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

The consolidated entity holds the following financial instruments:

	Consolidated	
	June 2023	June 2022
Financial Assets	\$	\$
Cash and cash equivalents	6,848,717	7,875,025
Trade and other receivables	1,311,444	424,220
	8,160,161	8,299,245
Financial Liabilities		
Trade and other payables	2,459,478	633,921
Convertible notes	8,086,011	7,263,643
Derivatives	122,005	763,753
Long-term loan	2,000,000	-
	12,667,494	8,661,317

Financial risk management objectives

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

Key risks are monitored and reviewed as circumstances change (e.g., acquisition of new entity or project) and policies are created or revised as required. The overall objective of the consolidated entity's financial risk management policy is to support the delivery of the consolidated entity's financial targets whilst protecting future financial security. During the current year the consolidated entity has entered into a foreign exchange forward contract to mitigate its foreign exchange risk. Given the nature and size of the business and uncertainty as to the timing and amount of cash inflows and outflows, the consolidated entity does not enter into any other derivative transactions (apart from its foreign exchange forward contract) to mitigate the financial risks. In addition, the consolidated entity's policy is that no trading in financial instruments shall be undertaken for the purpose of making speculative gains. As the consolidated entity's operations change, the Directors will review this policy periodically going forward.

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

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

Notes to the financial statements (continued)

Note 21 Financial instruments (continued)

(a) Interest rate risk

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

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

Interest rate sensitivity

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

	Profit or loss		Equity	
	1% increase	1% decrease	1% increase	1% decrease
	\$	\$	\$	\$
Consolidated - 30 June 2023				
Cash and cash equivalents	68,487	(68,487)	68,487	(68,487)
Consolidated - 30 June 2022				
Cash and cash equivalents	78,750	(78,750)	78,750	(78,750)

Interest rate risk on other financial instruments is immaterial.

(b) Liquidity risk

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

Ultimate responsibility for liquidity risk management rests with the Board of Directors. The consolidated entity manages liquidity risk by maintaining adequate reserves and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. This is based on the undiscounted cash flows of the financial liabilities based on the earliest date on which they are required to be paid. At the end of the reporting period the consolidated entity held cash of \$6,848,717 (2022: \$7,875,025).

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

	Within 1 Year	Between 1 - 5 years	Total Contractual Cash Flows	Carrying Amount
	\$	\$	\$	\$
Consolidated - 30 June 2023				
Trade and other payables	2,421,681	37,797	2,459,478	2,459,478
Long term loan	198,356	2,378,630	2,576,986	2,000,000
Convertible notes & derivatives	-	10,727,761	10,727,761	8,208,016
Consolidated - 30 June 2022				
Trade and other payables	577,391	56,530	633,921	633,921
Convertible notes & derivatives	696,153	10,341,158	11,037,311	8,027,396

Notes to the financial statements (continued)

Note 21 Financial instruments (continued)

(c) Foreign exchange risk

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

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

During the prior year the consolidated entity entered into a foreign exchange forward contract to mitigate its foreign exchange risk. Apart from this contract the consolidated entity's policy is to generally convert its local currency to Pula, Rand, or US dollars at the time of transaction. The consolidated entity, has on rare occasions, taken the opportunity to move Australian dollars into foreign currency (ahead of a planned requirement for those foreign funds) when exchange rate movements have moved significantly in favour of the Australian dollar, and management considers that the currency movement is extremely likely to move back in subsequent weeks or months. Therefore, the opportunity has been taken to lock in currency at a favourable rate to the consolidated entity. This practice is expected to be the exception, rather than the normal practice.

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

	2023 USD A\$	2023 BWP A\$	2023 ZAR A\$	2023 GBP A\$	2022 USD A\$	2022 BWP A\$	2022 ZAR A\$	2022 GBP A\$
Financial Assets								
Cash and cash equivalents	37,301	142,007	1,023	965,200	6,143,514	339,500	20,969	1,188,501
Trade and other receivables	-	1,284,732	-	-	-	389,727	-	-
Financial Liabilities								
Trade and other payables	-	(1,739,096)	-	-	-	(443,622)	-	-
Net Financial Instruments	37,301	(312,357)	1,023	965,200	6,143,514	285,605	20,969	1,188,501

Foreign currency rate sensitivity

Based on financial instruments held at 30 June 2023, had the Australian dollar strengthened/weakened by 10% the consolidated entity's profit or loss and equity would be impacted as follows:

	Profit or loss		Equity	
	10% Increase \$	10% Decrease \$	10% Increase \$	10% Decrease \$
2023				
Dollar (US)	(3,730)	3,730	(3,730)	3,730
Pula (Botswana)	31,236	(31,236)	31,236	(31,236)
Rand (South Africa)	(102)	102	(102)	102
Pound (UK)	(96,520)	96,520	(96,520)	96,520
2022				
Dollar (US)	(614,351)	614,351	(614,351)	614,351
Pula (Botswana)	(28,561)	28,561	(28,561)	28,561
Rand (South Africa)	(2,097)	2,097	(2,097)	2,097
Pound (UK)	(118,850)	118,850	(118,850)	118,850

Notes to the financial statements (continued)

Note 21 Financial instruments (continued)

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

The consolidated entity had entered into foreign exchange forward contracts to mitigate its foreign exchange risk. There were no outstanding forward contracts at the end of the reporting period.

	Sell US Dollars	
	2023	2022
Buy Pula (BWP)	USD\$	USD\$
Maturity:		
0 – 3 months	-	679,488
3 – 6 months	-	2,652,635
6 – 12 months	-	1,632,602

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

(d) Credit risk

Credit risk is the risk of financial loss to the consolidated entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This arises principally from cash and cash equivalents and trade and other receivables. The consolidated entity's exposure and the credit ratings of its counterparties are continuously monitored by the Board of Directors.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised in the table above.

Credit Risk Exposures

Trade and other receivables

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

Cash and cash equivalents

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

Notes to the financial statements (continued)

Note 22. 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 2023	June 2022
	\$	\$
Short-term employee benefits	991,632	626,196
Post-employment benefits	76,177	71,847
	1,067,809	698,043
Share based payments	76,369	232,200
	1,144,178	930,243

Note 23. Auditors' Remuneration

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

	Consolidated	
	June 2023	June 2022
	\$	\$
Audit services		
Auditing or reviewing the financial statements - BDO Australia	76,000	48,675
Auditing or reviewing the financial statements - BDO Botswana	34,580	34,580
Non-audit services - BDO Australia		
Tax consulting and compliance services	10,000	9,575
Total	120,580	92,830

Note 24. Contingent Liabilities

The Directors are not aware of any contingent liabilities (2022: nil).

Notes to the financial statements (continued)

Note 25. Related Party Transactions**Parent entity**

The legal parent entity is Tlou Energy Limited.

Subsidiaries

Interests in subsidiaries are set out in note 28.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2023	2022
	\$	\$
<u>Payment for goods and services:</u>		
Office rent paid to The Gilby McKay Alice Street Partnership, a director-related entity of Anthony Gilby.	15,600	12,900
<u>Loans to/from related parties</u>		
Loan from ILC Investment Pty Ltd, a significant shareholder of the Company	2,000,000	-

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:

Interest accrued on the loan to ILC Investments Pty Ltd, a significant shareholder of the Company	16,438	-
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The loan from ILC Investments Pty Ltd has a three-year term, commencing on 1 May 2023 and there are no arrangement fees. Interest will be charged at 10% per annum and payable each quarter.

Note 26. Segment Reporting**Reportable Segments**

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

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

Segment revenue

As at 30 June 2023 no revenue has been derived from its operations (2022: nil).

Segment assets

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

	June 2023	June 2022
	\$	\$
Botswana	61,802,339	51,147,251
Australia	31,726	1,966
	61,834,065	51,149,217

Notes to the financial statements (continued)

Note 27. Cash Flow Information

	Consolidated	
	June 2023	June 2022
	\$	\$
Reconciliation of cash flow from operations		
Loss for the period	(4,241,208)	(4,329,116)
Depreciation	209,320	547,217
Share-based payments	99,651	232,200
Impairment charge - exploration and evaluation assets	-	166,054
Fair value gain/(loss) on financial instruments	96,805	690,272
Capitalised interest	614,581	241,917
Net exchange differences	59,424	43,997
Changes in operating assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
Decrease/(increase) in trade and other receivables	82,907	(56,631)
Increase/(decrease) in trade payables and accruals	259,723	113,596
Increase/(decrease) in other payables	(13,118)	(15,997)
Decrease/(increase) in prepayments	49,515	(5,053)
Increase/(decrease) in provisions	45,923	2,932
	(2,736,477)	(2,368,612)

Refer to Notes 14-16 for non-cash investing or financing activities during the year.

Note 28. 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 2023	June 2022
Tlou Energy Botswana (Proprietary) Ltd	Botswana	Ordinary	100	100
Technoleads International Inc	Barbados	Ordinary	100	100
Tlou Energy Exploration (Proprietary) Limited	Botswana	Ordinary	100	100
Sable Energy Holdings (Barbados) Inc	Barbados	Ordinary	100	100
Tlou Energy Resources (Proprietary) Limited	Botswana	Ordinary	100	100
Copia Resources Inc	Barbados	Ordinary	100	100
Tlou Energy Corp Services Botswana (Proprietary) Limited	Botswana	Ordinary	100	100
Madra Holdings (Barbados) Inc	Barbados	Ordinary	100	100
Tlou Energy Solutions (Proprietary) Limited	Botswana	Ordinary	100	100
Pula Holdings Inc	Barbados	Ordinary	100	100
Tlou Energy Generation Proprietary Limited	Botswana	Ordinary	100	100

Notes to the financial statements (continued)

Note 29. Matters subsequent to the end of the financial year

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

Note 30. Parent entity disclosures

	Parent	
	June 2023	June 2022
	\$	\$
Current assets	6,806,589	7,650,332
Non-current assets	30,245,477	30,255,800
Total assets	37,052,066	37,906,131
Current liabilities	877,221	1,000,468
Non-current liabilities	10,208,015	7,331,243
Total liabilities	11,085,236	8,331,711
Net assets	25,966,830	29,574,420
Contributed equity	121,509,323	106,763,925
Share based payment	1,257,455	1,157,804
Accumulated losses	(96,799,948)	(78,347,309)
Total equity	25,966,830	29,574,420
Loss for the period	(18,452,639)	(6,993,237)
Total comprehensive income	(18,452,639)	(6,993,237)

Commitments, Contingencies and Guarantees of the Parent Entity

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

Directors' declaration


In the Directors' opinion:

- the attached financial statements and notes thereto comply with the *Corporations Act 2001*, the Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2023 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 2023 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
29 September 2023

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 2023, 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 2023 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 (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

Material uncertainty related to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

Key audit matters

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

Carrying value and classification of exploration and evaluation assets

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>Refer to notes 2 and 9 in the financial report.</p> <p>The Group carries exploration and evaluation assets as at 30 June 2023 in relation to the application of the Group’s accounting policy for exploration and evaluation assets.</p> <p>The recoverability and classification of exploration and evaluation asset is a key audit matter due to:</p> <ul style="list-style-type: none"> • The significance of the total balance; and • The level of procedures undertaken to evaluate management’s application of the requirements of <i>AASB 6 Exploration for and Evaluation of Mineral Resources</i> (‘AASB 6’) in light of any indicators of impairment that may be present. 	<p>Our procedures included, but were not limited to the following:</p> <ul style="list-style-type: none"> • Obtaining evidence that the Group has valid rights to explore in the areas represented by the capitalised exploration and evaluation expenditure by obtaining supporting documentation such as license agreements and also considering whether the Group maintains the tenements in good standing; • Making enquiries of management with respect to the status of ongoing exploration programs in the respective areas of interest and assessing the Group’s cashflow budget for the level of budgeted spend on exploration projects and held discussions with directors of the Group as to their intentions and strategy; • Reviewing the current status of the asset to assess whether the classification of the projects as exploration and evaluation assets continues to be valid; and • Enquiring of management, reviewing ASX announcements and reviewing directors’ minutes to ensure that the Group had not decided to discontinue activities in any applicable areas of interest and to assess whether there are any other facts or circumstances that existed to indicate impairment testing was required.

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 2023, 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:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.



Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 18 of the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Tlou Energy Limited, for the year ended 30 June 2023, 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

A handwritten signature in black ink that reads 'BDO'.

A handwritten signature in black ink that reads 'R J Liddell'.

R J Liddell
Director

Brisbane, 29 September 2023

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 4th edition of the Corporate Governance Principles and Recommendations (“4th Edition Recommendations or ASX Recommendations”) established by the ASX Corporate Governance Council (the “Council”).

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

This statement outlines the key aspects of Tlou Energy’s governance framework and practices. The charters, policies and procedures are reviewed regularly and updated to comply with the law and best practice. This statement contains specific information and discloses the extent to which the Company intends to or is able to follow the 4th 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 2023 its practices are taking into account the size and makeup of the Company is largely consistent with those of the 4th 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 25 September 2023 and has been approved by the Board of Directors.

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

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

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

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

(ASX Recommendation 1.1)

The Board of Directors

The Board is currently comprised of five (5) Directors. Details of the Directors who held office during the year under review are namely:

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

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

(ASX Recommendation 1.2)

Each executive director and senior executive of Tlou Energy has an agreement in writing with the Company which sets out the key terms and conditions of their appointment including their duties, rights and responsibilities. There are also Letters of Appointment between the Company and all of the non-executive directors. Each of these letters of appointment are with the director personally to ensure that the director or senior executive is personally accountable to the listed entity for any breach of the agreement. These agreements contain provisions that amongst other matters include:

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

(ASX Recommendation 1.3)

Company Secretary

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

(ASX Recommendation 1.4)

Diversity Policy

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

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

(ASX Recommendation 1.5)

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

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

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

During the reporting period, a review of the Boards performance was not carried out, however a review is planned in the near term.

(ASX Recommendation 1.6)

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

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

(ASX Recommendation 1.7)

Structure of Board to be Effective and Add Value

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

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

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

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

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

The current Committee's members, and the number of times that they have met throughout the reporting period and the member's attendance at those meetings is recorded in the section of the 2023 Annual Report headed "Directors Report".

(ASX Recommendation 2.1)

Independence

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

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

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

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

The Chairman (Martin McIver) and High Swire are both considered as independent non-executive directors as they both fall within the Council's definition of 'independence' as being non-executive directors who are not members of management and who are free from any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the independent exercise of their judgment.

Notwithstanding that the 4th Edition Recommendations in respect to the composition of the Board are not strictly able to be followed (that being the majority of the Board should be independent and non-executives) the Company believes that it has achieved a sufficient balance, when taking into accounts the other safeguards that are used, to ensure that an independent lens is brought to play when decisions are being made which might give rise to situations of conflict. The Company will continue to restore that balance of board members when the opportunity to do so arises, but it has proved impractical at this juncture to restore the equilibrium or have a majority of independent Directors.

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

(ASX Recommendation 2.4 and 2.5)

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

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

Board Skills Matrix

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

(ASX Recommendation 2.2)

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

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

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

(ASX Recommendation 2.6)

Board Charter

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

Conflicts of Interest

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

Independence of Professional Advice

The Board has determined that individual Directors have the right to seek independent professional advice in connection with any of their duties and obligations as Directors of the Company. Before a Director may obtain that advice at the Company's expense, the Director must obtain the approval of the Chairman who will not unreasonably withhold that

consent. If appropriate any advice received will be made available to the full Board. No member of the Board availed him or herself of this entitlement during the year under review.

Committees

Audit Committee, Risk Committee and Remuneration & Nomination Committee

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

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

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

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

Instil a Culture of Acting Lawfully, Ethically and Responsibly

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

The Company in recognition of the importance of ethical and responsible decision making has adopted a Corporate Code of Conduct which sets out ethical standards and a Code of Conduct to which all Directors, and Senior Executives will adhere whilst conducting their duties. The CEO is responsible for bringing to the attention of the Board any material breaches of the code.

(ASX Recommendation 3.1)

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

All Directors and Senior Executives will: -

1. Actively promote the highest standards of ethics and integrity in carrying out their duties for the Company;
2. Disclose any actual or perceived conflicts of interest of a direct or indirect nature of which they become aware and which they believe could compromise in any way the reputation or performance of the Company;
3. Respect confidentiality of all information of a confidential nature which is acquired in the course of the Company's business and not disclose or make improper use of such confidential information to any person unless specific authorisation is given for disclosure or disclosure is legally mandated;

4. Deal with the Company's suppliers, contractors, competitors and each other with the highest level of honesty, fairness and integrity and to observe the rule and spirit of the legal and regulatory environment in which the Company operates;
5. Report any breach of this code of conduct or other inappropriate or unethical conduct to the appropriate authority within the Group; and
6. This Code of Conduct is in addition to the Code of Conduct for all employees which has been adopted by the Board of the Company.

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

(ASX Recommendation 3.1 and 3.2)

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

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

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

(ASX Recommendations 3.3 and 3.4)

Safeguard the Integrity of Corporate Reports

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

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

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

Structure of the Audit Committee and Charter

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

During the reporting period, the Committee appointed by the Board did not comply with this recommendation as it comprised then and now of two non-executive Directors and two executive Directors, with the chair of the Committee being an independent Director as prescribed by the ASX Recommendations. Not all of the members of the Audit Committee were non-executive, but those that were non-executives are considered independent.

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

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

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

The Committee Chair is obliged to report any significant issues arising from the Committee Meetings at the next meeting of the Board and a copy of the minutes of the Audit Committee meetings are provided to the Board.

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

The role of the Audit Committee is to: -

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

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

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

(ASX Recommendation 4.2)

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

The only periodic finance-based reports that the Company releases each year are the Full Year and Half Year accounts along with the quarterly Appendix 5B's. The half year and full year accounts are audited and signed off by the Company's independent external Auditors. While the quarterly Appendix 5B's are prepared internally, they are done so utilising the same accounting principles and accounts on which the audited half year and full year accounts are prepared and released. Copies of the Quarterly reports are also reviewed by the Auditors as part of the half year and full year audits.

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

(ASX Recommendation 4.3)

Make Timely and Balanced Disclosure

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

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

Methods of communication currently employed include:

- Shareholder Updates
- ASX Announcements
- Quarterly Reports
- Half Yearly Reports
- Annual Reports; and
- Shareholder presentations

Continuous Disclosure

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

The Company has adopted an updated Continuous Disclosure Policy in compliance with ASX Recommendation 5.1 and ASX Guidance Note 8: Continuous Disclosure. A copy of the policy can be found on the Company's website. Each director, employee and consultant engaged by the Company is provided with a copy of the policy while impressing upon them during their onboarding and induction the importance of the principles behind the policy and its application to them in that role.

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

Under the Company's policy the Board receives a copy of all material market announcement immediately after they have been made if not beforehand.

(ASX Recommendation 5.2)

The Officers of the Company are committed to:

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

The Company uses its website www.tlouenergy.com as its primary communication tool for distribution of the annual report, market announcements and media disclosures. External communication which may have a material effect on the price or value of the Company's securities will not be released unless it has been announced previously to the ASX, BSE and via a regulatory news service in the United Kingdom.

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

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

(ASX Recommendations 5.1 and 5.3)

Respect the Rights of Security Holders

The Company keeps shareholders and other interested parties informed of performance and major developments via communications through its website. This includes details of the Governance framework adopted by the Company including copies of the Corporate Governance Policies and Charters, which is available at: https://tlouenergy.com/corporate_governance/ (ASX Recommendation 6.1)

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

(ASX Recommendation 6.2)

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

(ASX Recommendation 6.3)

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

(ASX Recommendations 6.4 and 6.5)

Recognise and Manage Risk

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

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

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

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

Specific functions of the Risk Committee are to: -

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

(ASX Recommendation 7.1)

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

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

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

(ASX Recommendation 7.2)

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

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

(ASX Recommendation 7.3)

The Company undertakes gas exploration activities and as such faces inherent risks to its business, including economic, environmental and social sustainability risks which may materially impact the Company's ability to create or preserve value for shareholders over the short, medium or long term. The Board is regularly briefed by management as well as keeping itself abreast of possible material exposure to risks that the Company may face. The Company considers that its activities are focused in Botswana on the generation of energy, which in turn will help drive economic growth in the low carbon economy through displacement of carbon intensive coal and diesel with power generation using gas, solar and hydrogen having an enormous potential role to play as the country develops.

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

(ASX Recommendation 7.4)

Remunerate Fairly and Responsibly

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

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

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

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

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

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

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

(ASX Recommendation 8.1)

The Company's policies and practices regarding the remuneration of non-executive Directors, executive Directors and senior executives is set out in the Remuneration & Nominations Committee Charter and in the Remuneration Report contained in the 2023 Annual Report.

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

(ASX Recommendation 8.2)

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

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

(ASX Recommendation 8.3)

Approved by the Board

25 September 2023

Additional Information

1. Shareholder Information

The shareholder information set out below was applicable as at 12 September 2023 and relates to shares held on the ASX, AIM and BSE.

2. Ordinary Share Capital

1,024,583,025 fully paid ordinary shares.

3. Number of Equity Holders

Ordinary Share Capital held by 768 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	49	8,806	0.0%
1,001 - 5,000	37	108,593	0.0%
5,001 - 10,000	74	596,510	0.1%
10,001 - 50,000	202	5,214,233	0.5%
50,001 - 100,000	87	6,766,265	0.7%
100,001 - maximum	319	1,011,888,618	98.8%
	<u>768</u>	<u>1,024,583,025</u>	<u>100.0%</u>

6. Substantial Shareholders

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

	Ordinary Fully Paid Shares Held	% of Issued Ordinary Capital
ILC Investments Pty Ltd	357,142,856	34.86%
FNB Nominees Re: Vunani BPOPF	47,230,769	4.61%
Investor Group – Anthony Gilby	50,000,000	4.88%

7. The 20 Largest Holders of Ordinary Shares

	Ordinary Fully Paid Shares Held	% of Issued Ordinary Capital
ILC Investments Pty Ltd	357,142,856	34.86%
FNBB Nominees Re: Vunani BPOPF	47,230,769	4.61%
Hargreaves Lansdown (Nominees) Limited <15942>	42,527,891	4.15%
Interactive Investor Services Nominees Limited <SMKTISAS>	39,016,823	3.81%
Hargreaves Lansdown (Nominees) Limited <VRA>	29,909,457	2.92%
Citicorp Nominees Pty Limited	20,970,278	2.05%
Gilby Super Pty Ltd	19,700,430	1.92%
HSDL Nominees Limited <Maxi>	17,487,207	1.71%
Vidacos Nominees Limited <IGUKCLT>	16,709,900	1.63%
The Bank Of New York (Nominees) Limited <672938>	16,140,001	1.58%
Gilby Super Pty Ltd	15,299,570	1.49%
Mitchell Family Investments (Qld) Pty Ltd	14,050,014	1.37%
Lawshare Nominees Limited <SIPP>	13,656,277	1.33%
Kabila Investments Pty Limited	12,953,399	1.26%
Sixth Erra Pty Ltd	12,117,872	1.18%
Barclays Direct Investing Nominees Limited <Client1>	10,553,516	1.03%
Hargreaves Lansdown (Nominees) Limited <HLNOM>	10,211,870	1.00%
Interactive Investor Services Nominees Limited <SMKTNOMS>	9,862,627	0.96%
Interactive Investor Services Nominees Limited <TDWHSIPP>	9,852,222	0.96%
HSDL Nominees Limited <IWMAXI>	8,563,149	0.84%
Total	723,956,128	70.66%
Balance of register	300,626,897	29.34%
Grand total	1,024,583,025	100%

8. Restricted Securities

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

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

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

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

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