

Tlou Energy Limited

ABN 79 136 739 967

Consolidated Financial Statements for the year ended 30 June 2015

Corporate Directory

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

Contents

Chairman’s letter	4
Managing Director’s Report.....	5
Directors’ report.....	6
Auditor’s independence declaration	20
Annual Review of Operations	21
Statement of Comprehensive Income	25
Statement of Financial Position	26
Statement of Changes in Equity.....	27
Statement of Cash Flows	28
Notes to the financial statements.....	29
Directors’ declaration	58
Independent Auditor’s Report.....	59
Corporate Governance Statement.....	61
Additional Information.....	73

Chairman's letter

Dear Shareholders,

The past year has been a year of progression and expansion for Tlou, with the continuing development of our Lesedi CBM project in Botswana, the successful acquisition of new acreage in the form of the Mamba project and the commencement of the Selemo expanded pilot pod drilling program.

In June 2015, Tlou successfully conducted a capital raising on the Australian Securities Exchange of approximately \$5.5 million. We would like to sincerely thank the new and existing investors who participated in this capital raising and who continue to support us in what has been a difficult period for small cap exploration and mining companies such as Tlou in the equity markets.

Funds from this capital raising will be directed to the Selemo expanded pilot pod drilling program. This drilling program will see additional horizontal pilot well pods drilled adjacent to the current Selemo Pilot. Each of these pods will consist of a vertical pumping well, with a single inseam lateral intersection well. The aim of the expanded Selemo pilot pod program is to maximise reservoir drainage area, measure long-term gas flow potential and achieve reserves certification in advance of field development.

In April 2015, Tlou Energy announced an upgrade to its certified Contingent Resources for the Lesedi CBM Project. The upgrade included the first 1C certified CBM gas resources in Botswana and an increase of its 2C and 3C contingent resources by 57% and 42% respectively. This very positive development reinforces Tlou's position as the most advanced upstream gas company in Botswana.

This year also saw Selemo Pilot achieve peak gas flows during short term production testing of approximately 400,000 cubic feet per day. Tlou also continued to advance negotiations for the gas sales agreements which will serve as a precursor for reserves certification. These agreements will underpin Tlou's planned field development objectives at the Lesedi CBM Project in Botswana, to supply gas to commercial end users and for power generation. Tlou intends to initially focus on small-scale pilot projects of up to 10 MW's of power generation, with first gas sales targeted to commence in 2016. It is anticipated that once established, these pilot projects will lead to larger scale developments, which may include the conversion of the existing 90 MW Orapa Power Station from diesel to gas.

Tlou is confident the upcoming period will reveal increased shareholder wealth through the continuation of the Lesedi CBM project development, and the maturing of exploration and new commercial opportunities. Tlou is excited by the opportunity to assist the countries in southern Africa by helping to explore and develop CBM gas opportunities within Botswana.

Yours faithfully,



Nathan Mitchell
Chairman

Managing Director's Report

Dear Shareholders,

The year to 30 June 2015 has been one of significant progress for Tlou Energy and has seen the Lesedi CBM Project achieve a number of milestones. While there is still work to be done, the company remains very well placed to capitalise on its CBM market leading advantages in Botswana.

This year, Tlou reached its near-term target to flow CBM gas at potentially commercial rates. We achieved a peak gas flow of approximately 400,000 cubic feet per day at the Selemo pilot during short term production testing.

This year also saw the commencement of the expanded Selemo drilling program; the aim of which is to drill additional wells to maximize reservoir drainage area, as well as to measure long-term gas flow potential and achieve reserves certification in advance of field development.

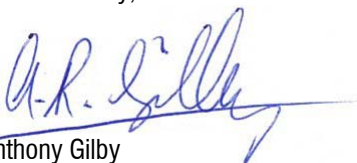
In addition to technical achievements, Tlou also progressed the project commercially through the establishment of cooperation agreements. The near term target is to establish a commercially attractive offtake agreement with an energy user. Given the market prices currently being paid for energy generation in Botswana, and the comparative low cost of CBM, this target is imminently achievable.

Owning 100% of the Lesedi CBM Project coupled with the more recently awarded on-trend "Mamba" acreage consolidates Tlou's dominant position and provides considerable flexibility in any future development. The requirement for new and cleaner sources of energy continues to increase in Botswana and the greater Southern African region. Tlou is the clear leader to be able to supply clean CBM gas into this market with time.

The coming year offers great promise for Tlou, and I am looking forward to significant progress being made.

I would like to take this time to thank our shareholders, particularly those who have previously provided vital financial support and those who supported the entitlement offer this year. It has been a bumpy ride for hydrocarbon resource companies and we have not been immune. The prize however, is still ahead of us and it is anticipated that in the not too distant future we should sell the first of Tlou's gas through the initial production pilot projects. This will form the basis of further growth and prosperity for our shareholders and the people of Botswana.

Yours faithfully,



Anthony Gilby
Managing Director

Directors' report

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Tlou Energy Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at 30 June 2015.

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:

Nathan Mitchell

Anthony Gilby

Martin Mclver

Christopher Pieters; resigned 11 March 2015

Gabaake Gabaake; appointed 11 March 2015

Principal activities

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

Dividends

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

Review and results of operations

Details of operations throughout the year are available in the Annual Review of operations on pages 21 to 24.

The loss for the consolidated entity after providing for income tax amounted to \$2,730,900 (30 June 2014: \$2,289,366).

The loss for the period was in line with expectations and compared to the expenditure incurred in the prior year once the impairment of exploration and evaluation assets of ~\$2.9m during the prior year is excluded.

In June 2015, the company successfully completed a capital raising comprising a 4 for 15 non-renounceable entitlement offer, at an issue price of \$0.14 per share. The capital raising was strongly supported by existing major shareholders as well as by a number of new institutional and sophisticated investors. Proceeds of the capital raising continue to fund the 2015 work program, corporate overheads, expenditure relating to a potential dual listing on the AIM Market of the London Stock Exchange and to provide additional working capital.

The increase in the value of total assets is driven mainly by the capital raised in the entitlement offer. Total spend on exploration activities during the period amounted to ~\$4.2m. The increase in the level of total liabilities over the reporting period is due to the level of operations ongoing at year end compared to the prior year.

Significant changes in the state of affairs

During the year ended 30 June 2015, there were no other significant changes to the state of affairs of the consolidated entity other than those stated above and disclosed in the financial report and notes thereof.

Matters subsequent to the end of the financial year

The company has engaged key market participants in the UK to investigate a dual listing by the Company on the AIM Market of the London Stock Exchange (“AIM”). A final decision regarding the dual listing process will be made by the Company, in conjunction with the UK advisors, in the coming months.

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

Likely developments and expected results of operations

Operations are currently underway at the Lesedi pilot project in Botswana, with the first of two planned single lateral pilot pods complete and the second underway. Further details are available in the annual review of operations.

Following this program the pilot wells will be put into production testing to provide sufficient data to enable the booking of independently certified reserves in the near term. These reserves and a supporting gas supply agreement with a third party are key elements of the forward plan for the company. An initial proof of concept proposal to provide power to a local off-taker remains under consideration. The company is in discussions with potential off-takers in anticipation of sustained gas flows.

The electricity market in Botswana, which suffers from chronic shortage of supply, supplying gas or power to industrial users, and in the longer term, the export of gas to other countries remain attractive commercial options.

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

Nathan Mitchell

Special Responsibilities	Non-Executive Chairman Chairman of the Risk Committee Member of the Remuneration Committee
Interest in Shares and options	16,680,814 Ordinary Shares 1,500,000 Share Options

Experience

Nathan Mitchell has a lifelong involvement with the drilling and resource exploration industry. Throughout this time, he has developed both skilled technical ability and commercial management expertise.

Nathan was previously CEO of Mitchell Drilling from 2001 until 2008, a period that saw international expansion to India, China, America and Zambia. After the sale of Mitchell Drilling’s Australian operations in August 2008, Nathan incorporated Mitchell Group as a governing company to all existing international operations and future energy sector expansion.

Nathan is the chairman of Mitchell Services Limited – an ASX-listed company that provided contract drilling services to the coal and CBM sectors. Nathan is also a former non-executive director of ASX listed Westside Corporation Limited.

Anthony Gilby B.Sc. (First Class Honours)

Special Responsibilities	Managing Director and Chief Executive Officer Member of the Audit Committee Member of the Remuneration Committee
Interest in Shares and options	17,796,487 Ordinary Shares 4,000,000 Share Options

Experience

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

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.

Martin McIver MBA

Special Responsibilities	Chairman of the Audit Committee Member of the Risk Committee Member of the Remuneration Committee
Interest in Shares and options	296,088 Ordinary Shares 250,000 Share Options

Experience

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

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

Martin was appointed Non-Executive Director in September 2010 and is currently the General Manager – Services of the Workpac group.

Gabaake Gabaake B.Sc.	appointed 11 March 2015
Special Responsibilities	Executive Director Member of the Remuneration Committee
Interest in Shares and options	80,857 Ordinary Shares 100,000 Share Options

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 who headed the Ministry of Minerals, Energy and Water Resources. Prior to that, he was head of 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.

Christopher Pieters B.Sc. (Hons)	resigned 11 March 2015
Special Responsibilities	Former member of the Remuneration Committee
Interest in Shares and options	2,935,908 Ordinary Shares 2,000,000 Share Options

Experience

Chris holds both Bachelor of Science (Geology) and Bachelor of Business degrees from the University of Queensland, and a first class Honours degree in Petroleum Geology and Geophysics from the Australian School of Petroleum in Adelaide.

Christopher was a founding member of Tlou and has eight years' experience in unconventional gas. Chris Pieters is managing director and co-founder of Walcot Capital Pty Ltd, a private venture capital business specialising in energy and mining investment. He was also Managing Director of Tlou Energy from inception until February 2012.

Prior to that Chris was Chief Commercial Officer of Sunshine Gas Limited where he was a key member of the team that built the company before its takeover by QGC in 2008. Chris also held other technical and business development roles whilst at Sunshine Gas Limited.

Chris is a director of ASX-listed, Comet Ridge Limited, and a number of other unlisted and private companies.

Remuneration Report - audited

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

Remuneration policy

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

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

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

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

Key management personnel including Non-executive Directors and employed executives receive the superannuation guarantee contribution required by the Commonwealth Government, which is currently 9.5% and do not receive any other retirement benefits. Individuals, however, can 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 determine payments to the Non- executive Directors and review their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required.

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

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

Performance conditions linked to remuneration

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

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

Key management personnel

Directors

Nathan Mitchell	Non-executive Chairman
Anthony Gilby	Managing Director & Chief Executive Officer
Martin Mclver	Non-executive Director
Gabaake Gabaake	Executive Director; appointed 11 March 2015
Christopher Pieters	Non-executive Director; resigned 11 March 2015

Executives

Stephen Rodgers	Company Secretary
Glen Smith	Chief Operating Officer
Colm Cloonan	Chief Financial Officer

There were no other key management personnel of the Group at 30 June 2015. Mr Solomon Rowland was appointed Company Secretary on 19 August 2015 and continues in office at the date of this report. Mr Rowland’s appointment follows the retirement of Mr Stephen Rodgers. Mr Rodgers will continue to provide consulting services to the Company as required.

Details of remuneration

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

Benefits and Payments for the Year Ended 30 June 2015

	Short-term benefits		Post Employment benefits	Long term benefits	Share based payments		Options as a % of Total Remuneration	Total
	Salary & Fees	Cash Bonus	Superannuation	Leave Benefits	Total Cash Remuneration	Options		
	\$	\$	\$	\$	\$	\$		\$
Directors								
N Mitchell	36,000	-	3,420	-	39,420	-	0%	39,420
A Gilby	491,727	-	19,476	40,977	552,180	-	0%	552,180
M McIver	36,000	-	3,420	-	39,420	-	0%	39,420
G Gabaake*	41,623	-	6,197	3,469	51,289	-	0%	51,289
C Pieters**	25,085	-	2,383	-	27,468	-	0%	27,468
Total Directors	630,435	-	34,896	44,446	709,777	-		709,777
Executives								
S Rodgers	38,000	-	-	-	38,000	-	0%	38,000
G Smith	458,341	-	-	-	458,341	-	0%	458,341
C Cloonan	200,000	-	19,000	16,667	235,667	-	0%	235,667
Total Executives	696,341	-	19,000	16,667	732,008	-		732,008
Total	1,326,776	-	53,896	61,113	1,441,785	-		1,441,785

* Represents remuneration from 11 March 2015 to 30 June 2015

** Represents remuneration from 1 July 2014 to 11 March 2015

During the 2015 year, no proportion of the remuneration of any key management personnel was performance based. No key management personnel received cash bonuses, performance related bonuses, termination benefits or non-cash benefits during the year.

Benefits and Payments for the Year Ended 30 June 2014

	Short-term benefits		Post Employment benefits	Long term benefits	Share based payments		Options as a % of Total Remuneration	Total
	Salary & Fees	Cash Bonus	Superannuation	Leave Benefits	Total Cash Remuneration	Options		
	\$	\$	\$	\$	\$	\$		\$
Directors								
N Mitchell	36,000	-	3,300	-	39,300	-	0%	39,300
A Gilby	441,457	-	17,447	24,790	483,694	-	0%	483,694
M McIver	36,000	-	3,300	-	39,300	-	0%	39,300
C Pieters	36,000	-	3,300	-	39,300	-	0%	39,300
Total Directors	549,457	-	27,347	24,790	601,594	-		601,594
Executives								
S Rodgers	39,000	-	-	-	39,000	-	0%	39,000
G Smith	409,882	-	-	-	409,882	-	0%	409,882
C Cloonan*	100,000	-	9,250	3,846	113,096	-	0%	113,096
D Langdon**	4,824	-	-	-	4,824	-	0%	4,824
Total Executives	553,706	-	9,250	3,846	566,802	-		566,802
Total	1,103,163	-	36,597	28,636	1,168,396	-		1,168,396

*Represents remuneration from 16 January 2014 to 30 June 2014

**Represents remuneration from 1 July 2013 to 16 January 2014

During the 2014 year, no proportion of the remuneration of any key management personnel or executive was performance based. No key management personnel or executive received cash bonuses, performance related bonuses or non-cash benefits during the year.

Service agreements

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

Anthony Gilby	Managing Director and Chief Executive Officer
Term of Agreement:	Mr Gilby's services are provided in a personal capacity. The agreement has no fixed term. Based on the agreed rate the estimated annual cost to the Group is approximately \$511,000.
Termination Benefit:	No termination benefit is payable if terminated for cause.
Termination Notice:	The Company may give Mr Gilby three months' notice or pay 1.5 times base salary in lieu of notice to terminate the Agreement.
Stephen Rodgers	Company Secretary
Term of Agreement:	Mr Rodgers services are provided through his professional services Company, Cuirass Pty Ltd. The agreement has no fixed term.
Base Fee:	Based on the contracted rate the estimated annual cost to the Group is approximately \$36,000.
Termination Benefit:	No termination benefit is payable if terminated for cause.
Termination Notice:	The Company may give the Company Secretary's consulting entity, Cuirass Pty Ltd, thirty (30) days' notice of its intention to terminate the Agreement. Mr Rodgers resigned as Company Secretary on 19 August 2015 and Mr Solomon Rowland was appointed to the position of Company Secretary and continues in office at the date of this report.
Glen Smith	Chief Operating Officer
Term of Agreement:	Mr Smith's services are provided through his professional services Company, Geopco Pty Ltd. The agreement has no fixed term.
Base Fee:	Based on the contracted rate, loaded to include relocation to Johannesburg, the estimated annual cost to the Group is approximately \$440,000.
Termination Benefit:	No termination benefit is payable if terminated for cause.
Termination Notice:	The Company may give the Chief Operating Officer's consulting entity, Geopco Pty Ltd, ninety (90) days' notice of its intention to terminate the Agreement.
Colm Cloonan	Chief Financial Officer
Term of Agreement:	Mr Cloonan's services are provided in a personal capacity. The agreement has no fixed term.
Base Fee:	Based on the contracted rate the estimated annual cost to the Group is approximately \$220,000.
Termination Benefit:	No termination benefit is payable if terminated for cause.
Termination Notice:	The Company may give the Chief Financial Officer two months' notice of its intention to terminate the Agreement.

Share-based compensation

There were no Share based payments to key management personnel during the year ended 30 June 2015. (2014: Nil)

Equity instruments (including options) granted as part of remuneration during the year

There were no equity instruments (including options) granted, exercised or lapsed as part of remuneration during the year.

Key management personnel shareholdings

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

	Balance at beginning of year	Granted as remuneration during the year	Additions	Disposals	Balance at date of resignation / appointment	Balance at end of year
30 June 2015						
Nathan Mitchell	15,966,528	-	714,286	-	-	16,680,814
Anthony Gilby	15,439,344	-	2,357,143	-	-	17,796,487
Martin Mclver	206,403	-	89,685	-	-	296,088
Gabaake Gabaake	-	-	42,857	-	38,000	80,857
Christopher Pieters	2,935,908	-	-	-	(2,935,908)	-
Stephen Rodgers	111,666	-	-	-	-	111,666
Glen Smith	-	-	-	-	-	-
Colm Cloonan	100,000	-	169,525	-	-	269,525
	34,759,849	-	3,373,496	-	(2,897,908)	35,235,437

Option holdings

The number of options over ordinary shares held by each key management person of the group during the financial year is as follows:

	Balance at beginning of year	Granted as remuneration	Balance at date of resignation / appointment	Expired during the year	Balance at end of year	Vested	Unvested
30 June 2015							
Nathan Mitchell	1,500,000	-	-	-	1,500,000	1,500,000	-
Anthony Gilby	4,000,000	-	-	-	4,000,000	4,000,000	-
Martin Mclver	250,000	-	-	-	250,000	250,000	-
Gabaake Gabaake	-	-	100,000	-	100,000	100,000	-
Christopher Pieters	2,000,000	-	(2,000,000)	-	-	-	-
Stephen Rodgers	250,000	-	-	-	250,000	250,000	-
Glen Smith	350,000	-	-	-	350,000	350,000	-
Colm Cloonan	250,000	-	-	-	250,000	250,000	-
Total	8,600,000	-	(1,900,000)	-	6,700,000	6,700,000	-

Shares issued on exercise of remuneration options

No shares were issued on exercise of remuneration options 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 year is summarised below. Details for the previous five years are not presented as the company listed in 2013.

	2015	2014	2013
Share price at end of financial year (\$)	0.13	0.30	0.25
Market capitalisation at end of financial year (\$M)	24	44	26
Profit/(loss) for the financial year (\$)	(2,730,900)	(2,289,366)	(6,087,074)
Cash spend on exploration programs (\$)	(4,529,184)	(8,670,411)	(2,292,295)
Director and Key Management Personnel remuneration	1,441,785	1,168,396	3,125,338

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

The Company may issue options 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 2015 financial year.

(End of Remuneration Report)

Company secretary

Mr Stephen Rodgers was appointed Company Secretary on 11 August 2009 and resigned on 19 August 2015.

Stephen is a lawyer with over 20 years' experience and holds a Bachelor of Laws degree from Queensland University of Technology. After practicing law with several firms in Brisbane over a 12-year period he operated his own specialist commercial and property law practice for seven years. Stephen then joined Sunshine Gas Limited, where he was the in-house Legal and Commercial Counsel – a broad role which also included assisting the Company Secretary with many of the facets of that position.

During this period, Stephen gained experience in the operation and running of an ASX 200 coal seam gas company as well as being a member of the team which led the takeover negotiations and implementation of QGC's friendly acquisition of that company. Stephen is also the Company Secretary of ASX-listed Comet Ridge Limited and Galilee Energy Limited

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

Mr Rowland is a commercial lawyer with over 15 years' experience in various private, government and in-house legal roles. Solomon holds a Juris Doctor from the University of Queensland.

Prior to joining Plou 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 of each board committee held during the year ended 30 June 2015, and the number of meetings attended by each Director were:

	Full Board		Audit Committee		Remuneration Committee	
	Attended	Held	Attended	Held	Attended	Held
Nathan Mitchell	7	7	-	-	2	2
Anthony Gilby	7	7	2	2	2	2
Martin Mclver	7	7	2	2	2	2
Gabaake Gabaake	2	2	-	-	2	2
Christopher Pieters	5	5	-	-	2	2

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

Shares under option

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

Grant date	Expiry date	Exercise price	Number under option
1/07/2012	30-Apr-16	\$0.625	10,175,000
27/02/2014	30-Apr-16	\$0.625	400,000

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

Shares issued on the exercise of options

There were no ordinary shares of Tlou Energy Limited issued during the year ended 30 June 2015 on the exercise of options granted or up to the date of this report.

Indemnity and insurance of officers

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

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

Indemnity and insurance of auditor

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

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

Proceedings on behalf of the Company

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

Currency and rounding

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

Auditor's independence declaration

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

Auditor

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

Non-audit services

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

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

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

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

	2015	2014
	\$	\$
Audit services		
Auditing or reviewing the financial statements - BDO Australia	45,575	43,500
Auditing or reviewing the financial statements - BDO Botswana	28,744	32,205
	<hr/> 74,319	<hr/> 75,705
Non-audit services - BDO Australia		
Tax consulting and compliance services	17,176	31,179
	<hr/> 17,176	<hr/> 31,179
Total	<hr/> <hr/> 91,495	<hr/> <hr/> 106,884

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
1 September 2015

Auditor's independence declaration



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Australia

DECLARATION OF INDEPENDENCE BY D P WRIGHT TO THE DIRECTORS OF TLOU ENERGY LIMITED

As lead auditor of Tlou Energy Limited for the year ended 30 June 2015, 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 'D P Wright'.

D P Wright
Director

BDO Audit Pty Ltd

Brisbane, 1 September 2015

Annual Review of Operations

Tlou has made significant progress on its Botswanan CBM portfolio over the last 12 months. In particular the key milestones reached during the year were:

- Completing the 2014 vertical pilot well drilling program (Lesedi 2P);
- Continuation of production testing for four pilot wells (Lesedi 1P, Selemo 1P, Mopani 2P and Lesedi 2P);
- Achieving peak gas flow on Selemo 1P of approximately 400,000 cubic feet per day (“cf/d”);
- Commencing expanded pilot drilling program at Selemo; and
- Announcing an upgrade of the Company’s independently certified contingent resources.

During the year, Tlou made a decision to drill and production test a new single vertical pilot well called ‘Lesedi 2P’. This decision was based on the encouraging results at Mopani 2P. The drilling of Lesedi 2P was completed in late 2014 with testing operations beginning shortly thereafter. The objective of the vertical pilot wells Lesedi 2P and Mopani 2P was to provide flow rate comparisons to the Selemo and Lesedi lateral pilots, to evaluate which method demonstrated more commercial gas rates for future field development. Tlou is concentrating on demonstrating a sustainable commercial gas flow rate from the Lesedi CBM Project.

Activities during the year focused on dewatering and production testing Tlou’s pilot operations. At the Selemo pilot pod, gas commenced flaring in November 2014 whilst dewatering operations continued. A decision was made in early December 2014 to determine the gas flow potential of the well by conducting short term tests as part of the longer term testing process. These short term tests resulted in the Selemo Pilot achieving a peak gas flow during production testing of approximately 400,000 cfd. The results of these tests were announced on 6 January and are summarised later in this report. Given the success of the Selemo pilot, Tlou implemented plans to develop an expanded drilling plan for the area.

The 2015 Selemo expanded pilot pod drilling program commenced in June 2015 and will see additional horizontal pilot well pods drilled adjacent to the current Selemo Pilot. These pods will each consist of a vertical pumping well with a single in-seam lateral intersection well. The aim of the expanded Selemo pilot pod program is to maximise reservoir drainage area, measure long-term gas flow potential and achieve reserves certification in advance of field development.

The drilling operations are designed to expand the number of dewatering wells and ultimately gas production at Selemo. At the end of the current program, Tlou expects to have two new dewatering pods (vertical and lateral production well pairs) that are located on either side of the current Selemo 1P production pod. A fourth vertical production well will provide flexibility for future expansion.

On 9 April 2015, Tlou Energy announced an upgrade to its certified contingent resources for the Lesedi CBM Project (refer to the following table). The upgrade included the first 1C certified CBM gas resources in Botswana and an increase of its 2C and 3C contingent resources by 57% and 42% respectively. This very positive development reinforces Tlou’s position as the most advanced upstream gas company in Botswana.

Certified Contingent Resources Statement

Category	OGIP⁽¹⁾ (BCF)	Unrisked Gross (100 Percent) (BCF)	Unrisked Net (100 Percent) (BCF)
Contingent Resources			
Low Estimate (1C)	7.6	4.9	4.9
Best Estimate (2C)	367.8	239.1	239.1
High Estimate (3C)	5,347.5	3,295.5	3,295.5
Prospective Resources⁽²⁾			
Low Estimate	2,459.5	644.1	644.1
Best Estimate	7,653.1	3,239.0	3,239.0
High Estimate	14,326.8	8,596.1	8,596.1

1) OGIP = Original gas in place.
Source: SRK Consulting (Australasia) Pty Ltd. See Competent Person Statement – Contingent Resource Upgrade ASX announcement 9 April 2015

2) **ASX Listing Rule 5.28.2 Statement:**
The estimated quantities of petroleum 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.

Results**Lesedi CBM Project Pilot**

The pilot program implemented by Tlou was the first to achieve the successful adoption of surface-to-inseam drilling technology with vertical intersection in Botswana and indeed all of Southern Africa. Shortly after the completion of the drilling phase of each well, all production surface facilities were installed and commissioned with production testing commenced at both the Selemo and Lesedi pods. A summary of the testing results for the Selemo and Lesedi pilot pods and the vertical well program of Mopani 2P and Lesedi 2P for the year are presented below.

Selemo pod

The Selemo Pod reached critical gas desorption (CDP) in early July 2014. Reaching CDP is a significant positive milestone in the operation indicating that gas had started to come out of the coal as a result of the dewatering process. Thlou was also encouraged by the consistent build-up of gas pressure currently observed at the well which it lead to flow testing and flaring of gas at the Selemo pod in late 2014. The results of these tests were announced on 6 January 2015 and are summarized below.

Table 1: Selemo Pilot short term test data

Key Parameters		Test 1	Test 2
Flow time	minutes	16.5	15
Gas produced during flow	m ³	53.2	57.7
Water Produced	litres	357	509
Peak Gas Rate observed during test	cfm	395,300	371,800
Average Gas Rate for test period	cfm	164,000	196,000
Average Water Rate	litres/day	31,156	48,864
Casing Regulator Pressure Drop during flow test	kPa	452	511
Downhole Gauge Pressure drop during flow test	kPa	192	187

The Selemo Pilot was then shut-in to allow pressure build-up data to be accumulated and assessed prior to the recommencement of longer term step production testing in 2015. The longer term production testing has been temporarily suspended to allow the abovementioned Selemo expanded drilling program to be implemented.

Specific observations in relation to the Selemo testing process to date include:

- Selemo Pilot is the first in Botswana to flow CBM gas at these rates (as far as the company is aware and based on publicly available information).
- Although this was a short term flow test, such a test can still provide a relatively reliable estimate of flow rate capability once wells are in production.
- It is expected that as additional wells are placed nearby to the Selemo Pilot, this would assist in maintaining (or even enhancing) the longer term gas flow rate given a significantly larger area of the coal seam would be dewatering and maintained below the gas desorption pressure.

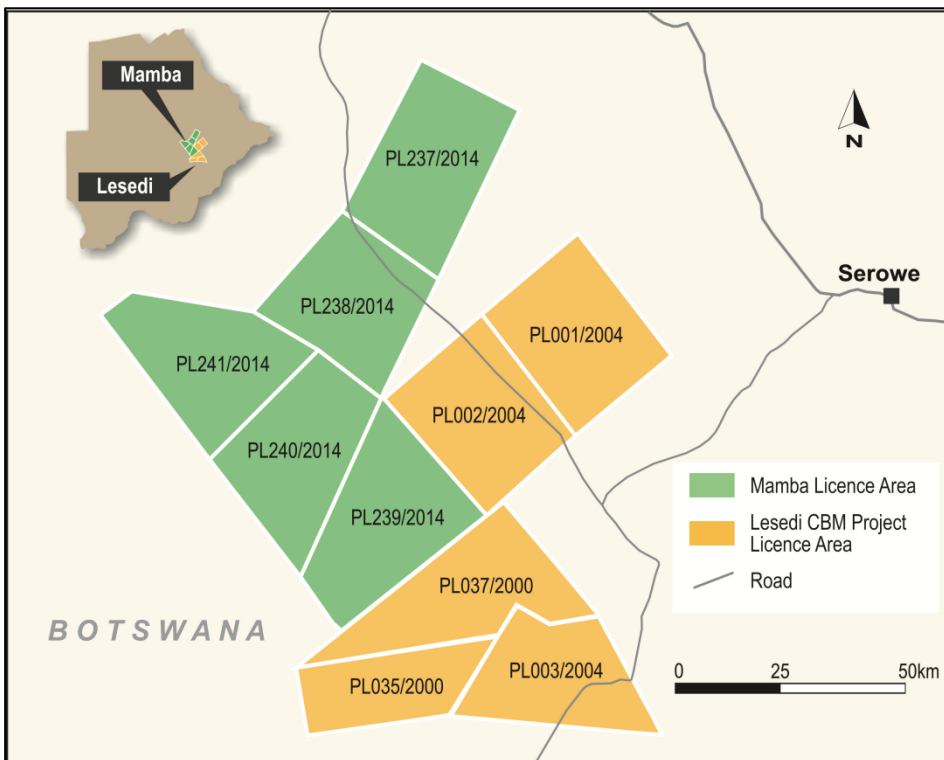
Lesedi pod

At the Lesedi Pilot Pod, pump lift capacity was upgraded and a remediation plan implemented to enhance the dewatering process given the high water flow rates that were being experienced. However, despite implantation of the remediation plan, the new configuration did not lead to the expected increased drawdown of water levels due to an anomalous water influx. Consequently, Thlou has suspended dewatering until further investigation of the source of the water influx is completed.

2014 vertical well program

During the year, Thlou made a decision to drill and complete for production testing a new single vertical pilot well called ‘Lesedi 2P’. This decision was based on the encouraging results at Mopani 2P. The drilling of Lesedi 2P commenced in early October 2014 and was completed on time and on budget in late October 2014 with testing operations beginning in November 2014.

The objective of the vertical pilot wells Lesedi 2P and Mopani 2P is to provide flow rate comparisons to the Selemo and Lesedi lateral pilots. The results of vertical well tests will be used to compare with the results of the lateral well tests to identify the most commercial drilling technique to be used in field development.



Mamba Project area exploration

In July 2014, Tlou was awarded five prospecting licenses (“PLs”) by Botswana Ministry of Mines, Energy and Water Resources (“MMEWR”) internally referred to as the Mamba Area. These permits cover an area of approximately 4,500km². The Mamba permits are considered to be highly prospective as they are situated adjacent to Tlou’s Lesedi CBM Project (refer to the location map) and are on-trend with the encouraging results observed to date at the Selemo and Lesedi Pilot Pods. In the event of a gas field development, the acquisition of the Mamba area provides Tlou with considerable flexibility and optionality.

2015 Lateral well program

Operations designed to expand the number of dewatering wells and ultimately gas production at Selemo is progressing as planned. At the end of the current program, the Company expects to have at least two new dewatering pods (vertical and lateral production well pairs) that are located on either side of the current Selemo 1P and 1A production pod. A fourth vertical production well will provide flexibility for future expansion. At the date of this report, drilling is close to completion with testing procedures due to commence thereafter.

Forward Work Programs

Work programs are expected to be conducted in all of Tlou’s tenement areas over the coming 12 months. The bulk of the work planned is in Tlou’s Lesedi CBM Project areas, where appraisal operations will continue along with near field exploration.

Lesedi CBM Project area work program

Production testing at the Selemo expanded pilot will continue in the Lesedi CBM Project area. Production testing will involve the measurement of gas and water flows, including pressure monitoring from down-hole and surface equipment, as well as gas and water compositional analysis. Testing operations are expected to continue into 2016. Positive results from production testing will validate the reservoir model and underpin gas reserves certification.

Results from these pilot areas will ultimately feed into full-scale field development modelling. The ramp gas from the wells will also be utilised in small scale pilot projects.

Mamba Project area work program

Once implemented, Tlou’s forward work program for the Mamba Project area will consist of drilling and coring operations. This type of exploration will aim to define the lateral extent of the coal formations as they progress westwards from the Lesedi CBM Project area. In order to achieve cost savings and synergies, the Mamba work program, as much as possible will be undertaken concurrently with the Lesedi operational activities.

Statement of Comprehensive Income for the year ended 30 June 2015

	Note	Consolidated	
		June 2015 \$	June 2014 \$
Revenue	3	114,133	193,861
Other income	3	-	200
Expenses			
Employee benefits expense	4	(1,290,766)	(999,567)
Depreciation and amortisation expense		(304,746)	(307,209)
Impairment - exploration and evaluation assets		-	(2,946,127)
Foreign exchange loss		120,835	(26,737)
Share options expense		-	(48,640)
Professional fees		(205,861)	(239,161)
Corporate expenses		(55,732)	(9,572)
Occupancy costs	4	(169,256)	(182,757)
Other expenses		(939,507)	(840,262)
PROFIT/(LOSS) BEFORE INCOME TAX		(2,730,900)	(5,405,971)
Income tax	5	-	3,116,605
PROFIT/(LOSS) FOR THE PERIOD		(2,730,900)	(2,289,366)
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		2,139,374	(1,767,181)
Tax effect		-	-
TOTAL OTHER COMPREHENSIVE INCOME		2,139,374	(1,767,181)
TOTAL COMPREHENSIVE INCOME		(591,526)	(4,056,547)
Loss for the year is attributable to:			
Owners of Tlou Energy Limited		(2,730,900)	(2,286,368)
Non-controlling interests		-	(2,998)
		(2,730,900)	(2,289,366)
Total comprehensive income attributable to:			
Owners of Tlou Energy Limited		(591,526)	(4,051,644)
Non-controlling interests		-	(4,903)
		(591,526)	(4,056,547)
Earnings per share			
		Cents	Cents
Basic loss per share	6	(1.8)	(1.8)
Diluted loss per share	6	(1.8)	(1.8)

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

Statement of Financial Position as at 30 June 2015

	Note	Consolidated	
		June 2015 \$	June 2014 \$
CURRENT ASSETS			
Cash and cash equivalents	7	7,197,813	9,123,260
Trade and other receivables	8	221,944	93,944
Other current assets	9	1,592,308	722,013
TOTAL CURRENT ASSETS		9,012,065	9,939,217
NON-CURRENT ASSETS			
Exploration and evaluation assets	11	43,559,315	37,344,231
Property, plant and equipment	10	724,334	443,724
TOTAL NON-CURRENT ASSETS		44,283,649	37,787,955
TOTAL ASSETS		53,295,714	47,727,172
CURRENT LIABILITIES			
Trade and other payables	12	1,321,234	299,473
Provisions	13	274,094	233,520
TOTAL CURRENT LIABILITIES		1,595,328	532,993
NON-CURRENT LIABILITIES			
Deferred tax liabilities	14	369,353	369,353
Provisions	13	90,000	66,000
TOTAL NON-CURRENT LIABILITIES		459,353	435,353
TOTAL LIABILITIES		2,054,681	968,346
NET ASSETS		51,241,033	46,758,826
EQUITY			
Contributed equity	15	71,606,519	66,532,786
Reserves	16	(380,244)	(357,072)
Accumulated losses	17	(19,985,242)	(19,416,888)
Equity attributable to the owners of Tlou Energy Limited		51,241,033	46,758,826
Non-controlling interests	18	-	-
TOTAL EQUITY		51,241,033	46,758,826

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

Statement of Changes in Equity for the year ended 30 June 2015

	Contributed Equity \$	Share Based Payments Reserve \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Non- controlling interest \$	Total \$
Consolidated						
Balance at 1 July 2013	53,957,271	4,669,085	(2,817,087)	(17,622,954)	4,903	38,191,218
Loss for the period	-	-	-	(2,286,368)	(2,998)	(2,289,366)
Other comprehensive income	-	-	(1,765,276)	-	(1,905)	(1,767,181)
Total comprehensive income	-	-	(1,765,276)	(2,286,368)	(4,903)	(4,056,547)
Transactions with owners in their capacity as owners						
Share based payments	-	(443,794)	-	492,434	-	48,640
Shares issued	12,575,515	-	-	-	-	12,575,515
	12,575,515	(443,794)	-	492,434	-	12,624,155
Balance at 30 June 2014	66,532,786	4,225,291	(4,582,363)	(19,416,888)	-	46,758,826
Balance at 1 July 2014						
	66,532,786	4,225,291	(4,582,363)	(19,416,888)	-	46,758,826
Loss for the period	-	-	-	(2,730,900)	-	(2,730,900)
Other comprehensive income	-	-	2,139,374	-	-	2,139,374
Total comprehensive income	-	-	2,139,374	(2,730,900)	-	(591,526)
Transactions with owners in their capacity as owners						
Share based payments	-	-	-	-	-	-
Transfers	-	(2,162,546)	-	2,162,546	-	-
Shares issued	5,073,733	-	-	-	-	5,073,733
	5,073,733	(2,162,546)	-	2,162,546	-	5,073,733
Balance at 30 June 2015	71,606,519	2,062,745	(2,442,989)	(19,985,242)	-	51,241,033

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

Statement of Cash Flows for the year ended 30 June 2015

	Note	Consolidated	
		June 2015	June 2014
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees (inclusive of GST)		(2,377,461)	(3,425,705)
Interest received		114,133	182,461
GST and VAT received		392,645	976,182
NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES	28	(1,870,683)	(2,267,062)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for exploration and evaluation assets		(4,529,184)	(8,670,411)
Payment for property, plant and equipment		(531,520)	(3,480)
NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES		(5,060,704)	(8,673,891)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		5,516,206	13,425,327
Share issue costs		(377,563)	(849,812)
NET CASH PROVIDED BY FINANCING ACTIVITIES		5,138,643	12,575,515
Net increase/(decrease) in cash held		(1,792,744)	1,634,562
Cash at the beginning of the period		9,123,260	7,460,746
Effects of exchange rate changes on cash		(132,703)	27,952
CASH AT THE END OF THE PERIOD	7	7,197,813	9,123,260

The above 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”).

Tlou Energy Limited is a public company, incorporated and domiciled in Australia. Its registered office and principal place of business is:

210 Alice Street
BRISBANE QLD 4000

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

Operations and principal activities

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

Currency

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

Authorisation of financial report

The financial report was authorised for issue on 1 September 2015.

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New, revised or amended Accounting Standards and Interpretations adopted

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2014 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

Note 1. Significant accounting policies (continued)

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 financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

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.

Early adoption of standards

The group has not elected to apply any pronouncements before their operative date in preparation of these financial statements.

Going Concern

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

Because of the nature of the operations, exploration companies, such as Tlou Energy Limited, find it necessary on a regular basis to raise additional cash funds to fund future exploration activity and meet other necessary corporate expenditure. At the date of this financial report, the ability of the group to execute its currently planned exploration and evaluation activities requires the group to raise additional capital within the next 12 months. Accordingly, the group is in the process of investigating various options for the raising of additional funds which may include but is not limited to an issue of shares or the sale of exploration assets where increased value has been created through previous exploration activity.

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

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

Parent entity information

In accordance with the *Corporations Act 2001*, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in Note 31.

Note 1. Significant accounting policies (continued)

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.

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

(b) Foreign currency translation

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

Foreign currency transactions

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

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 reserve in equity. The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

(c) Revenue recognition

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

Interest

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

Other revenue

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

Note 1. Significant accounting policies (continued)

(d) 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.

(e) Cash and cash equivalents

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

(f) Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade and other receivables are generally due for settlement within 30 days.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Note 1. Significant accounting policies (continued)

(g) Investments and other financial assets

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

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

Financial assets at fair value through profit or loss

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

Available-for-sale financial assets

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

Impairment of financial assets

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

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

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

Note 1. Significant accounting policies (continued)

(h) Property, plant and equipment

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

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

Plant and equipment	3-7 years
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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. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

(i) Leases

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

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

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

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

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

(j) Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other 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.

Note 1. Significant accounting policies (continued)

(k) Exploration and evaluation assets

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

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

(l) 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.

(m) Provisions

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

Restoration and rehabilitation

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

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

Note 1. Significant accounting policies (continued)

(n) 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 using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Severance pay

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

Share-based payments

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

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

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

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

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

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

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

Note 1. Significant accounting policies (continued)

(n) Employee benefits (continued)

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.

(o) 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.

(p) Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

(q) Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquiree.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Note 1. Significant accounting policies (continued)

(r) 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 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.

(s) Comparative figures

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

(t) New Accounting Standards and Interpretations

The Consolidated Entity has adopted all new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2014. The Consolidated Entity did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

(u) New Standards and Interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2015 reporting periods. The Consolidated Entity has decided against early adoption of these standards. The Consolidated Entity's assessment of the impact of these new standards and interpretations is set out below:

AASB 9 Financial Instruments

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

Note 2. Critical accounting judgements, estimates and assumptions

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

Exploration & evaluation assets

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

Deferred Tax assets

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

In addition, the group has recognised deferred tax assets relating to carried forward tax losses to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same subsidiary against which the unused tax losses can be utilised. However, utilisation of the tax losses also depends on the ability of the entity, which is not part of the tax consolidated group, to satisfy certain tests at the time the losses are recouped. Due to the parent entity acquiring the entity that holds the losses it is expected that the entity will fail to satisfy the continuity of ownership test and therefore has to rely on the same business test. As at 30 June 2015 the group has received advice that the losses are available, however should this change in the future the group may be required to derecognise these losses.

Notes to the financial statements (continued)

Note 3. Revenue and Other Income

	Consolidated	
	June 2015	June 2014
	\$	\$
Interest	114,133	193,861
Other Income	-	200
	114,133	194,061

Note 4. Expenses

Loss before income tax includes the following specific expenses:

Employee benefits expense

• Defined contribution superannuation expense	79,277	56,362
• Other employee benefits expense	1,211,489	943,205
	1,290,766	999,567

Occupancy costs

• Rental expense relating to operating leases - minimum lease rentals	169,247	182,699
• Other occupancy costs	9	58
	169,256	182,757

Other expenses include the following specific items:

• Travel and accommodation costs	318,376	229,060
• Consultants	228,755	196,450
• ASX and secretarial fees	169,560	137,674
• Insurance	71,006	83,006
	787,697	646,190

Notes to the financial statements (continued)

Note 5. Income Tax

Numerical reconciliation of income tax expense to prima facie tax on accounting profit/(loss)

	Consolidated	
	June 2015	June 2014
	\$	\$
Profit/(loss) before income tax	(2,730,900)	(5,405,971)
Tax at the domestic tax rates applicable to profits in the country concerned	(819,270)	(1,621,791)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Share based payments	-	14,592
Other non-deductible items	(35,835)	268,324
Difference in overseas tax rates	(305,225)	797,638
Previously unrecognised tax losses used to reduce deferred tax expense	-	(2,712,552)
Deferred tax asset not recognised	1,160,330	137,184
Income tax benefit	-	(3,116,605)
Recognised deferred tax assets		
Unused tax losses	6,890,812	4,189,563
	6,890,812	4,189,563
Recognised deferred tax liabilities		
Assessable temporary differences	7,260,165	4,558,916
	7,260,165	4,558,916
Net deferred tax liability recognised	369,353	369,353
Unrecognised temporary differences and tax losses		
Unused tax losses and temporary differences for which no deferred tax asset has been recognised	19,948,905	17,297,304

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

Notes to the financial statements (continued)

Note 6. Earnings per share

	Consolidated	
	June 2015	June 2014
	\$	\$
(a) Reconciliation of earnings used in calculating basic and diluted loss per share:		
Loss for the year attributable to owners of TIou Energy Limited	<u>(2,730,900)</u>	(2,286,368)
Loss used in the calculation of the basic and dilutive loss per share	<u>(2,730,900)</u>	<u>(2,286,368)</u>
(b) Weighted average number of ordinary shares used as the denominator		
Number used in calculating basic and diluted loss per share	<u>147,862,795</u>	<u>127,096,603</u>

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

Note 7. Cash and Cash Equivalents

Cash at bank	6,897,813	8,823,260
Cash on deposit	<u>300,000</u>	<u>300,000</u>
	<u>7,197,813</u>	<u>9,123,260</u>

Note 8. Trade and Other Receivables

Current

Other receivables	239	13,336
GST/VAT receivable	<u>221,705</u>	<u>80,608</u>
	<u>221,944</u>	<u>93,944</u>

Note 9. Other Assets

Prepayments	214,291	421,909
Inventory and well consumables	<u>1,378,017</u>	<u>300,104</u>
	<u>1,592,308</u>	<u>722,013</u>

Notes to the financial statements (continued)

Note 10. Property, Plant and Equipment

	Consolidated	
	June 2015	June 2014
	\$	\$
Plant and equipment at cost	1,871,960	1,249,601
Accumulated depreciation	(1,147,626)	(805,877)
	<u>724,334</u>	<u>443,724</u>

Movements in Carrying Amounts

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

Balance at the beginning of year	443,724	775,248
Additions	532,818	27,632
Disposals	(1,298)	(1,989)
Depreciation	(304,746)	(307,209)
Foreign exchange movements	53,836	(49,958)
Carrying amount at the end of year	<u>724,334</u>	<u>443,724</u>

Note 11. Exploration and Evaluation Assets

Exploration and evaluation assets	<u>43,559,315</u>	37,344,231
	<u>43,559,315</u>	<u>37,344,231</u>

Movements in exploration and evaluation phase

Balance at the beginning of period	37,344,231	33,528,392
Exploration and evaluation expenditure during the year	4,184,820	8,257,583
Impairment expense	-	(2,946,127)
Foreign currency translation	2,030,264	(1,495,617)
Balance at the end of period	<u>43,559,315</u>	<u>37,344,231</u>

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

Note 12. Trade and Other Payables**Current**

Trade payables	869,390	158,841
Accruals	415,984	112,246
Other payables	35,860	28,386
	<u>1,321,234</u>	<u>299,473</u>

Notes to the financial statements (continued)

Note 13. Provisions

	Consolidated	
	June 2015 \$	June 2014 \$
Current		
Employee benefits	153,390	164,756
Employee benefits - Botswana severance	120,704	68,764
	<u>274,094</u>	<u>233,520</u>
Non-current		
Rehabilitation	90,000	66,000
	<u>90,000</u>	<u>66,000</u>
	<u>364,094</u>	<u>299,520</u>
Movements in rehabilitation provision during the year		
Balance at the beginning of the year	66,000	43,561
Rehabilitation required on wells drilled during the year	24,000	24,000
Completed during the year	-	(1,561)
Carrying amount at the end of the year	<u>90,000</u>	<u>66,000</u>

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

A provision has been recognised for employee benefits relating to severance pay payable in Botswana. The measurement and recognition criteria relating to employee benefits have been included in note 1 to this report.

Note 14. Deferred Tax Liabilities

	Consolidated	
	June 2015 \$	June 2014 \$
Deferred tax liabilities	<u>369,353</u>	<u>369,353</u>

Notes to the financial statements (continued)

Note 15. Contributed equity

	June 2015 Shares	June 2014 Shares	June 2015 \$	June 2014 \$
Opening balance	147,754,846	103,003,758	66,532,786	53,957,271
Issue of ordinary shares during the year	39,401,473	44,751,088	5,516,206	13,425,327
Share issue costs	-	-	(442,473)	(849,812)
Ordinary shares - fully paid	187,156,319	147,754,846	71,606,519	66,532,786

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of, and amounts paid on, the shares held. The fully paid ordinary shares have no par value. On a show of hands every member present at a meeting, in person or by proxy, shall have one vote and upon a poll, each share shall have one vote.

The company does not have authorised capital or par value in respect of its issued shares.

Options

At 30 June 2015, the following options for ordinary shares in Thlou Energy Limited were on issue:

Number			
2015	2014	Exercise Price	Expiry Date
-	4,945,055	\$1.25	9/05/2015
10,575,000	10,575,000	\$0.625	30/04/2016
<u>10,575,000</u>	<u>15,520,055</u>		

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 Statement of Changes in Equity.

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

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

The group is not subject to externally imposed capital requirements.

Notes to the financial statements (continued)

Note 16. Reserves

	Consolidated	
	June 2015 \$	June 2014 \$
Foreign currency translation	(2,442,989)	(4,582,363)
Share based payments	2,062,745	4,225,291
	<u>(380,244)</u>	<u>(357,072)</u>
Movements in reserves		
Foreign currency translation reserve		
Opening balance	(4,582,363)	(2,817,087)
Currency translation differences arising during the year	2,139,374	(1,765,276)
Closing balance	<u>(2,442,989)</u>	<u>(4,582,363)</u>
Share based payments reserve		
Opening balance	4,225,291	4,669,085
Recognition of share-based expense for options granted to Directors, employees and consultants	-	48,640
Transfer of expired share based payments to accumulated losses	(2,162,546)	(492,434)
Closing balance	<u>2,062,745</u>	<u>4,225,291</u>

Foreign Currency Translation Reserve

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

Share Based Payments Reserve

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

Note 17. Accumulated losses attributable to Tlou Energy

	Consolidated	
	June 2015 \$	June 2014 \$
Accumulated loss at the beginning of the financial year	(19,416,888)	(17,622,954)
Loss after income tax expense for the year	(2,730,900)	(2,286,368)
Transfer of expired share based payments to accumulated losses	2,162,546	492,434
Accumulated loss at the end of the financial year	<u>(19,985,242)</u>	<u>(19,416,888)</u>

Note 18. Non-controlling interests

Interests in:		
Share capital	-	144,599
Reserves	-	(51,463)
Retained earnings	-	(93,136)
	<u>-</u>	<u>-</u>

The group allocates loss attributable to non-controlling interests based on the applicable company's standalone profit, prior to the elimination of transactions with other companies in the group (except for transactions where unrealised profit remains in the company that has a non-controlling interest).

Notes to the financial statements (continued)

Note 19. Share-based payments**Employee Share Options**

Options may be granted to certain personnel of the company on terms determined by the directors or otherwise approved by the company at a general meeting. The options are granted for no consideration. Options and entitlements to the options are vested on a time basis and/or on specific performance based criteria such as share price increases or reserves certification.

Options granted as described above carry no dividend or voting rights. When exercisable, each option is convertible to one ordinary share.

The expense recognised in the statement of comprehensive income in relation to share based payments amounts to nil (2014: \$48,640). The amount assessed as fair value at the grant date of the options is allocated equally over the period from grant date to vesting date. 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 following table shows the number, movements and weighted average exercise price of employee share options outstanding for the 2015 year:

<i>Grant Date</i>	<i>Expiry date</i>	<i>Exercise price</i>	Opening Balance July 2014	Exercised During the Year	Granted During the Year	Expired During the year	Closing Balance June 2015	Vested & Exercisable
1-Jul-12	30-Apr-16	\$0.625	10,175,000	-	-	-	10,175,000	10,175,000
1-Apr-14	30-Apr-16	\$0.625	400,000	-	-	-	400,000	400,000
Total options			10,575,000	-	-	-	10,575,000	10,575,000
Weighted average exercise price			\$0.63	-	-	-	\$0.63	\$0.63

The weighted average remaining contractual life of share options outstanding at the end of the year was 0.8 years.

The following table shows the number, movements and weighted average exercise price of employee share options outstanding for the 2014 year:

<i>Grant Date</i>	<i>Expiry date</i>	<i>Exercise price</i>	Opening Balance July 2013	Exercised During the Year	Granted During the Year	Expired During the year	Closing Balance June 2014	Vested & Exercisable
20-Jul-10	20-Jul-13	\$1.00	250,000	-	-	(250,000)	-	-
15-Apr-11	14-Apr-14	\$1.25	250,000	-	-	(250,000)	-	-
15-Apr-11	14-Apr-14	\$2.00	250,000	-	-	(250,000)	-	-
1-Feb-11	30-Jun-14	\$1.00	50,000	-	-	(50,000)	-	-
1-Feb-11	30-Jun-14	\$2.00	50,000	-	-	(50,000)	-	-
1-Jul-12	30-Apr-16	\$0.625	10,175,000	-	-	-	10,175,000	10,175,000
1-Apr-14	30-Apr-16	\$0.625	-	-	400,000	-	400,000	400,000
Total options			11,025,000	-	400,000	(850,000)	10,575,000	10,575,000
Weighted average exercise price			\$0.69	-	\$0.63	\$1.43	\$0.63	\$0.63

The weighted average remaining contractual life of share options outstanding at the end of the year was 1.8 years.

Notes to the financial statements (continued)

Note 19 Share-based payments (continued)

Expenses arising from share-based payment transactions

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

	Consolidated	
	June 2015	June 2014
	\$	\$
Options expensed	-	48,640
Options capitalised	-	-
	-	48,640

Note 20. Commitments

Operating lease commitments

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

	Consolidated	
	June 2015	June 2014
	\$	\$
Payable - minimum lease payments		
• not later than 12 months	18,000	85,018
• between 12 months and 5 years	-	-
	18,000	85,018

Exploration expenditure:

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

	Consolidated	
	June 2015	June 2014
	\$	\$
Minimum expenditure requirements		
• not later than 12 months	15,051,886	4,652,691
• between 12 months and 5 years	16,986,978	-
	32,038,864	4,652,691

Note 21. Dividends and franking credits

There were no dividends paid or recommended during the financial year and there are no franking credits available to shareholders of the company.

Notes to the financial statements (continued)

Note 22. Financial instruments**Overview**

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

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

The group holds the following financial instruments:

	Consolidated	
	June 2015	June 2014
Financial Assets	\$	\$
Cash and cash equivalents	7,197,813	9,123,260
Trade and other receivables	221,944	93,944
	7,419,757	9,217,204
	<hr/>	
Financial Liabilities		
Trade and other payables	1,321,234	299,473
	1,321,234	299,473
	<hr/>	

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

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

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

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

Notes to the financial statements (continued)

Note 22 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 group is also exposed to earnings volatility on floating rate instruments.

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

Interest rate sensitivity

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

	Profit or loss		Equity	
	1% increase \$	1% decrease \$	1% increase \$	1% decrease \$
Consolidated - 30 June 2015				
Cash and cash equivalents	71,978	(71,978)	71,978	(71,978)
Consolidated - 30 June 2014				
Cash and cash equivalents	91,233	(91,233)	91,233	(91,233)

Interest rate risk on other financial instruments is immaterial.

(b) Liquidity risk

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

Ultimate responsibility for liquidity risk management rests with the Board of Directors. The group manages liquidity risk by maintaining adequate reserves and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. This is based on the undiscounted cash flows of the financial liabilities based on the earliest date on which they are required to be paid. At the end of the reporting period the group held cash of \$7,197,813 (2014: \$9,123,260).

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

	Within 1 year	Between 1 & 2 years	Total Contractual Cash Flows	Carrying Amount
	\$	\$	\$	\$
Consolidated - 30 June 2015				
Trade and other payables	1,321,234	-	1,321,234	1,321,234
Consolidated - 30 June 2014				
Trade and other payables	299,473	-	299,473	299,473

Notes to the financial statements (continued)

Note 22 Financial instruments (continued)

(c) Foreign exchange risk

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

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

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

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

	2015	2015	2015	2014	2014	2014
	USD	Pula	SA Rand	USD	Pula	SA Rand
	\$	\$	\$	\$	\$	\$
Financial Assets						
Cash and cash equivalents	176,331	69,954	27,051	832,626	81,185	7,487
Trade and other receivables	-	177,007	-	-	42,274	-
Financial Liabilities						
Trade and other payables	-	(992,476)	-	-	(102,737)	-
Net Financial Instruments	176,331	(745,515)	27,051	832,626	20,722	7,487

Foreign currency rate sensitivity

Based on financial instruments held at 30 June 2015, had the Australian dollar strengthened/weakened by 10% the group's profit or loss and equity would be impacted as follows:

	Profit or loss		Equity	
	10% Increase	10% Decrease	10% Increase	10% Decrease
2015	\$	\$	\$	\$
US dollar	(17,633)	17,633	(17,633)	17,633
Bw Pula	74,552	(74,552)	74,552	(74,552)
South African Rand	(2,705)	2,705	(2,705)	2,705
2014				
US dollar	(83,263)	83,263	(83,263)	83,263
Bw Pula	(2,072)	2,072	(2,072)	2,072
South African Rand	(749)	749	(749)	749

Notes to the financial statements (continued)

Note 22 Financial instruments (continued)

(d) Credit risk

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

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

Credit Risk Exposures

Trade and other receivables

Trade and other receivables comprise primarily of VAT and GST refunds due. Where possible the group trades with recognised, creditworthy third parties. The receivable balances are monitored on an ongoing basis. The group's exposure to bad debts is not significant. At 30 June 2015 \$nil (2014: \$nil) of the group's receivables were past due.

Cash and cash equivalents

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

Note 23. Key Management Personnel

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

Detailed remuneration disclosures are provided in the remuneration report on pages 10 to 16.

Key management personnel compensation

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

	Consolidated	
	June 2015	June 2014
	\$	\$
Short-term employee benefits	1,326,776	1,103,163
Post-employment benefits	53,896	36,597
Other long-term benefits	61,113	28,636
	1,441,785	1,168,396
Share based payments	-	-
	1,441,785	1,168,396

Notes to the financial statements (continued)

Note 24. Auditors' Remuneration

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

	Consolidated	
	June 2015	June 2014
	\$	\$
Audit services		
Auditing or reviewing the financial statements - BDO Australia	45,575	43,500
Auditing or reviewing the financial statements - BDO Botswana	28,744	32,205
	<hr/> 74,319	<hr/> 75,705
Non-audit services - BDO Australia		
Tax consulting and compliance services	17,176	31,179
	17,176	31,179
Total	<hr/> 91,495	<hr/> 106,884

Note 25. Contingent Liabilities

The Directors are not aware of any contingent liabilities (2014: \$nil).

Notes to the financial statements (continued)

Note 26. Related Party Transactions**Parent entity**

The legal parent entity is Tlou Energy Limited.

Subsidiaries

Interests in subsidiaries are set out in note 29.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2015	2014
	\$	\$
<u>Payment for goods and services:</u>		
Payment for services from Mitchell Group	-	1,209,196
Operations services provided by the Mitchell group, a director-related entity of Nathan Mitchell.		
Payment to The Gilby McKay Alice Street Partnership	100,000	120,000
Office rent paid to The Gilby McKay Alice Street Partnership, a director-related entity of Anthony Gilby.		
Payment to Fleur Gilby	2,628	3,556
Salary paid to Fleur Gilby, related entity of Anthony Gilby.		
<u>Receipts for goods and services:</u>		
Receipts from Gilby Resources Pty Ltd	-	3,771
Administration services provided to Gilby Resources Pty Ltd, a director-related entity of Anthony Gilby.		
<u>Receivable from and payable to related parties</u>		
The following balances are outstanding at the reporting date in relation to transactions with related parties:		
<u>Current payables:</u>		
Trade payables to The Gilby McKay Alice Street Partnership	6,600	11,000
Office rent payable to The Gilby McKay Alice Street Partnership, a director-related entity of Anthony Gilby.		

Loans to/from related parties

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

Notes to the financial statements (continued)

Note 27. Segment Reporting

Reportable Segments

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

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

Segment revenue

As at 30 June 2015 no revenue has been derived from its operations (2014: \$nil).

Segment assets

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

	June 2015	June 2014
	\$	\$
Botswana	44,281,700	37,784,971
Australia	1,949	2,984
	<hr/>	<hr/>

Note 28. Cash Flow Information

	Consolidated	
	June 2015	June 2014
	\$	\$
Reconciliation of cash flow from operations		
Profit/(Loss) for the period	(2,730,900)	(2,289,366)
Depreciation	304,746	307,210
Share-based payments	-	48,640
Impairment charge - exploration and evaluation assets	-	2,946,127
Transfer from inventory to fixed assets	-	(22,163)
Net exchange differences	217,466	(264,878)
Changes in operating assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
Decrease/(increase) in trade and other receivables	(128,000)	103,477
Decrease/(increase) in other assets	(1,077,913)	188,018
Increase/(decrease) in trade payables and accruals	1,271,726	58,265
Decrease/(increase) in prepayments	207,618	(197,680)
Increase/(decrease) in provisions	64,574	(28,107)
Decrease in deferred tax liability	-	(3,116,605)
	<hr/>	<hr/>
	(1,870,683)	(2,267,062)

Notes to the financial statements (continued)

Note 29. 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. Where applicable, entities indirectly controlled by Tlou are listed in italics below each directly controlled entity, along with the country of incorporation and the percentage shareholding held by the direct parent:

Name of entity	Country of incorporation	Class of shares	Equity holding %	
			June 2015	June 2014
Tlou Energy Botswana (Proprietary) Ltd	Botswana	Ordinary	100	100
Z E Australia Pty Ltd	Australia	Ordinary	-	100
Agua Energy Limitada*	Mozambique	Ordinary	100	100
Technoleads International Inc	Barbados	Ordinary	100	100
- <i>Tlou Energy Exploration (Proprietary) Limited</i>	Botswana	Ordinary	100	100
Sable Energy Holdings (Barbados) Inc	Barbados	Ordinary	100	100
- <i>Tlou Energy Resources (Proprietary) Limited</i>	Botswana	Ordinary	100	100
Mica Investments (Barbados) Inc	Barbados	Ordinary	100	100
Copia Resources Inc	Barbados	Ordinary	100	100
- <i>Tlou Energy Corp Services Botswana (Proprietary) Limited</i>	Botswana	Ordinary	100	100
Apex Resources No. 2 Inc	Barbados	Ordinary	100	100
- <i>Apex Resources Holdings No. 2 Corp</i>	British Virgin Islands	Ordinary	100	100
SK Holdings (Barbados) Inc	Barbados	Ordinary	100	100
- <i>Tlou South Karoo (Proprietary) Limited</i>	Botswana	Ordinary	100	100
Madra Holdings (Barbados) Inc	Barbados	Ordinary	100	100
- <i>Tlou Energy Solutions (Proprietary) Limited</i>	Botswana	Ordinary	100	100
Tembo Holdings Inc	British Virgin Islands	Ordinary	100	100

*Tlou Energy Limited directly holds 66.67% of the ordinary share capital of Agua Energy Limitada and also controls the other 33.33% which is held by Apex Resources Holdings No. 2 Corp.

Note 30. Subsequent Events

No other matter or circumstance has arisen since 30 June 2015 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Notes to the financial statements (continued)

Note 31. Parent entity disclosures

	Parent	
	June 2015	June 2014
	\$	\$
Current assets	7,308,112	9,132,885
Non-current assets	34,814,162	30,377,073
Total assets	42,122,274	39,509,958
Current liabilities	413,722	292,633
Total liabilities	413,722	292,633
Net assets	41,708,552	39,217,325
Contributed equity	71,606,519	66,532,786
Share based payment	4,225,292	4,717,726
Accumulated losses	(34,123,259)	(32,033,187)
Total equity	41,708,552	39,217,325
Loss for the period	2,090,072	20,848,672
Total comprehensive income	2,090,072	20,848,672

Commitments, Contingencies and Guarantees of the Parent Entity

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

Directors' declaration

In the Directors' opinion:

- the attached financial statements and notes thereto comply with the *Corporations Act 2001*, the 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 2015 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 2014 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
1 September 2015

INDEPENDENT AUDITOR'S REPORT

To the members of Tlou Energy Limited

Report on the Financial Report

We have audited the accompanying financial report of Tlou Energy Limited, which comprises the consolidated statement of financial position as at 30 June 2015, 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, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility 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 Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Tlou Energy Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of Tlou Energy Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon the future successful raising of necessary funding through equity, successful exploration and subsequent exploitation of the consolidated entity's tenements, and/or sale of non-core assets. These conditions, along with other matters as set out in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

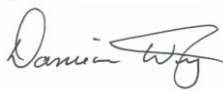
Report on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 16 of the directors' report for the year ended 30 June 2015. 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.

Opinion

In our opinion, the Remuneration Report of Tlou Energy Limited for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.

BDO Audit Pty Ltd

BDO


D P Wright
Director

Brisbane, 1 September 2015

Corporate Governance Statement

The Directors (the “Board”) of Tlou Energy Limited (“Tlou Energy” or “the Company”) are committed to the implementation of the highest standards of corporate governance. In determining what these standards should be, the Board references guidance and supports, where appropriate, the Corporate Governance Principles and Recommendations with 2014 amendments (3rd Edition) (“3rd Edition Recommendations or ASX Recommendations”) established by the ASX Corporate Governance Council (the “Council”).

This statement outlines the key aspects of Tlou Energy’s governance framework and practices. The charters, policies and procedures are reviewed regularly and updated to comply with the law and best practice. This statement contains specific information and discloses the extent to which the Company intends to or is able to follow the 3rd Edition Recommendations. The charters and policies of the Company can be viewed on Tlou Energy’s website at www.tlouenergy.com.au (“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 2015 its practices are largely consistent with those of the 3rd Edition Recommendations and where they do not follow a recommendation this statement identifies those that have not been followed and details reasons for non-adherence. Even where there is a deviation from the recommendations the Company continues to review and update its policies and practices in order that it keeps abreast of the growth of the Company, the broadening of its activities, current legislation and good practice.

This Corporate Governance statement reports on the main practices of Tlou Energy as at the 31st day of August 2015 and has been approved by the Board of Directors.

Role of the Board

The Board is responsible for ensuring that the Company is managed effectively. Given the size of the Company and the Board, the Board undertakes an active role in the management of the Company.

The Board’s role and the Company’s Corporate Governance practices are continually being reviewed and updated to reflect the Company’s circumstances and growth. The Board has adopted a Charter which sets out the responsibilities of the Board and its structure and governance as well as the matters expressly reserved to the Board and those delegated to management. A copy of the Charter is available on the Company’s website.

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

(ASX Recommendation 1.1)

The Board of Directors

The Board is currently comprised of four (4) Directors. Details of the Directors who have held office during the year under review are namely:-

Name of Director	Board Membership	Date of Appointment/Resignation
Nathan Mitchell	Non-executive Chairman	23 April 2009
Anthony Gilby	Managing Director	23 April 2009
Christopher Pieters	Non-executive Director	23 April 2009/11 March 2015
Martin Mclver	Non-executive Director	16 September 2010
Gabaake Gabaake	Executive Director	11 March 2015

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 directors character, experience, educations, criminal record and bankruptcy history. The Company will ensure that all material information in its possession relevant to a shareholders decision to elect or re-elect a director is provided to shareholder in the Company's Notice of Annual General Meeting.

(ASX Recommendation 1.2)

Each executive director and senior executive of Tlou Energy has an agreement in writing with the Company which sets out the key terms and conditions of their appointment including their duties, rights and responsibilities. There are no formal agreements with the non-executive directors other than the Deeds of Access and Indemnity. Given the size and operations of the Company at this stage and the experience and skills that the non-executive directors possess the Board does not believe that there would be any benefit to the Company in doing so.

(ASX Recommendation 1.3)

Company Secretary

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

(ASX Recommendation 1.4)

Diversity Policy

The Company is committed to creating a fair and inclusive work environment that embraces diversity and recognises its contribution to the Company's commercial success. As the Company has a relatively small staff at present the Board does not believe that any benefit would be obtained setting measureable 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 website.

(ASX Recommendation 1.5)

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

This process will involve the Chairman circulating to members of the Board a detailed questionnaire on performance indicators and collating the data from the same before discussing with each member of the Board and reviewing performance indicators

such as time engaged on Company business, so as to assess the effectiveness of processes structure and contributions made by individual directors.

The Managing Director assesses, annually or as necessary, the performance of all key executives. Both qualitative and quantitative measures will be used consistent with performance targets set annually by the Managing Director in consultation with those executives. The Managing Director reports to the 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 Board's performance was carried out by the Chairman.
(ASX Recommendation 1.6)

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

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

Structure of Board to Add Value

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

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

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

When evaluating candidates, the Board has regard to the potential for conflicts of interest, whether actual or perceived, and the extent or materiality of these in the ongoing assessment of director independence. In this respect the Board has regard to the definition of "independence" in the 3rd Edition Recommendations. The Board is of the view that the existence of one or more of the relationships in the definition will necessarily result in the relevant Director not being classified as independent, particularly given the criteria outlined above, and that the Company will seek to implement additional safeguards to ensure independence. An overall review of these considerations is conducted by the Board to determine whether individual Directors are independent.

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

ASX Recommendation 2.4 requires a majority of the Board to be independent Directors. In addition ASX Recommendation 2.5 requires the Chairman of the Company to be independent. The Council defines "independence" as being a non-executive director who is not a member of management and who is free from any business or other relationship that could materially

interfere with or could reasonably be perceived to materially interfere with the independent exercise of their judgment. Based on this definition the current Directors, excluding Martin Mclver 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 (Nathan Mitchell) if applying the independence criteria in the Principles is not considered to be independent, due to his family company being a substantial shareholder of the Company. However the Board considers that the Chairman is the most appropriate person for the role due to his commercial and industry experience in such a capacity and that the interests of the Company and its shareholders are being more than adequately met by the current appointee.

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

Notwithstanding that these 3rd Edition Recommendations in respect to the composition of the Board are not strictly followed it believes that given the history of the Company and the formation of the Board reflects certain founding members, it is not practical at this stage to have a majority of independent Directors or an independent Chairman. Therefore, the Board takes the view that the interests of the Shareholders are best served with the Board's present composition and has resolved that the situation will be monitored as the operations of the Company evolve and appoint independent Directors as the opportunities and necessity arise.

(ASX Recommendation 2.3)

The Board has established a Nomination and Remuneration Committee which regularly reviews Board membership. This includes considering what other skills that might be necessary for the Company to reach its strategic objectives. Due to the size of the Company the composition of the Committee does not comply with the ASX Recommendation 2.1. A copy of the Remuneration and Nominations Committee Charter is located on the website.

The Committee's members, the number of times that they have met throughout the reporting period and the member's attendance at those meetings is recorded in the section of the 2015 Annual Report headed "Directors Report".

(ASX Recommendation 2.1)

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

(ASX Recommendation 2.2)

Given the size of the Company there is no formal induction process for new directors. Rather any new Director will be provided with a personalised induction which will be dependent upon the skills and experience that any new Director might possess. Any new Director induction will include comprehensive meetings with senior management and the provision of relevant materials such as all the Company's policies and procedures as well as instruction in relation to these.

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

(ASX Recommendation 2.6)

Board Charter

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

Conflicts of Interest

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

Independence of Professional Advice

The Board has determined that individual Directors have the right to seek independent professional advice in connection with any of their duties and obligations as Directors of the Company. Before a Director may obtain that advice at the Company's expense, the Director must obtain the approval of the Chairman who will not unreasonably withhold that consent. If appropriate any advice received will be made available to the full Board. No member of the Board availed himself 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 an Audit Committee. The Audit Committee is made up of the following members:

- Martin Mclver – Chairman
- Anthony Gilby – Committee Member

Act Ethically and Responsibly

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

(ASX Recommendation 3.1)

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

All Directors and Senior Executives will:-

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

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.

(ASX Recommendation 3.1)

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

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

Safeguard Integrity in Financial Reporting

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

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

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

Structure of the Audit Committee and Charter

ASX Recommendation 4.1 states that the audit committee should have at least 3 members consisting only of non-executive directors, a majority of which should be independent with the Chair of the Committee being one of the independent directors who is not the chair of the Company. The Committee appointed by the Board does not comply with this recommendation as it comprises one Non-executive Director and one executive director of which only one is considered independent in accordance with the definition of independence prescribed by the ASX Corporate Governance Independence Criteria.

Anthony Gilby is the member of the Committee who is not currently a non-executive director. At the time of his appointment to the Committee he was a non-executive director but has since been appointed the Managing Director.

The Chair of the Committee is Martin McIver who is an independent non-executive director and not the Chairman of the Board of Directors.

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

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

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

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

The role of the Audit Committee is to:-

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

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

The Chief Executive Officer and the Chief Financial Officer are required to make a 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.

(ASX Recommendation 4.3)

Make Timely and Balanced Disclosure

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

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

Methods of communication currently employed include:

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

Continuous Disclosure

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

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

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

The Officers of the Company are committed to:

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

The Company uses its website www.truenergy.com as its primary communication tool for distribution of the annual report, market announcements and media disclosures. External communication which may have a material effect on the price or value of the Company's securities will not be released unless it has been announced previously to the ASX. Effective participation by Shareholders is encouraged at general meetings and procedures have been designed to facilitate this including online voting. (ASX Recommendation 5.1)

Respect the Rights of Security Holders

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

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

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

In addition the website contains a function to allow interested parties to subscribe to receive electronic notification of public releases and other relevant material concerning the Company and its activities. (ASX Recommendation 6.4)

Recognition and Management of Risk

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

The Company has established a Risk Committee that is focussed 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 a year and keeps minutes of its meetings which are included for review at the following Board Meeting.

The Company has a qualified Compliance and Risk Manager who has been engaged to oversee the design and implementation of the risk control programme. The Company's Risk Management Policy requires the Board, being guided by the Risk Committee to at least annually undertake a risk review to determine if the existing risk framework is satisfactory considering the material risks faced by the Company. In the reporting period the Board did not complete a structured and comprehensive review of the Company's risk management framework as the timing of the appointment of the Compliance and Risk Manager has not allowed for the same. However the Board has initiated this review which should be completed by the end of the year.

(ASX Recommendation 7.2)

The Company does not have a formal internal audit function. 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 Chairman 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 brief by management as well as keeping itself abreast of possible material exposure to risks that the Company may face.

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

(ASX Recommendation 7.4)

Remunerate Fairly and Responsibly

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

Given the size of the Board, the Directors have determined that the Non-executive Directors will execute the functions of a Remuneration & Nomination Committee and have adopted a Remuneration and Nomination Charter. Due to the size and the composition of the Board it is not possible to have a majority of independent directors forming the Committee.

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

(ASX Recommendation 8.1)

The Company's policies and practices regarding the remuneration of Non-executive Directors, executive Directors and senior executives is set out in the Remuneration & Nominations Committee Charter and in the Remuneration Report contained in the 2015 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, although no shares have been issued through the same since the listing of the Company. The Company's Policy for Trading in the Company's Securities does not specifically prohibit Directors entering into transactions or 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 Company is in the process of reviewing the Policy in light of recent changes to the ASX Guidance Note on the issue and it is expected that the revised Policy will restrict participants of any scheme from entering into such arrangements.

(ASX Recommendation 8.3)

Additional Information

1. Shareholder Information

The shareholder information set out below was applicable as at 19 August 2015.

2. Ordinary Share Capital

187,156,319 fully paid ordinary shares.

3. Number of Equity Holders

Ordinary Share Capital held by 488 individual shareholders.

4. Voting Rights

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

5. Distribution of Shareholdings

Holdings	Number of Holders	Units	Percentage of Issued Capital
1 - 1,000	7	1,047	0.00%
1,001 - 5,000	35	127,397	0.07%
5,001 - 10,000	45	363,649	0.19%
10,001 - 50,000	165	4,160,050	2.22%
50,001 - 100,000	94	6,924,741	3.70%
100,001 - maximum	142	175,579,435	93.81%
	488	187,156,319	100.000%

6. Substantial Shareholders

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

Name	Number of Shares Held	Percentage Interest
Investor Group - Anthony Gilby	17,796,487	9.5%
Investor Group - Nathan Mitchell	16,680,814	8.91%
Talon Metals Corp	14,285,714	7.63%

7. The 20 Largest Holders of Ordinary Shares

	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
J P Morgan Nominees Australia Limited	23,000,827	12.29%
National Nominees Limited	17,199,697	9.19%
HSBC Custody Nominees (Australia) Limited	14,599,428	7.80%
Talon Metals Corp	14,285,714	7.63%
Mitchell Group Holdings Pty Ltd	11,136,364	5.95%
Gilby Super Pty Ltd <Gilby Superannuation Fund>	10,704,240	5.72%
Citicorp Nominees Pty Limited	6,826,605	3.65%
Avanteos Investments Limited	5,156,226	2.76%
Gilby Resources Pty Ltd <Gilby Investment a/c>	4,775,105	2.55%
Mr CJ Blamey & Mrs AM Blamey <ACB Super Fund a/c>	3,844,401	2.05%
Jesus College Cambridge	3,781,584	2.02%
Citicorp Nominees Pty Ltd <Colonial First State Inv a/c>	3,047,439	1.63%
Dynamic Supplies Investments Pty Ltd	2,959,809	1.58%
Mitchell Family Investments (Qld) Pty Ltd <Mitchell Family Inv A/Ca/C>	2,913,650	1.56%
Mr Nathan Mitchell <Mitchell Family Super Fund a/c>	2,500,000	1.34%
David Royds	2,370,476	1.27%
Liath Pty Ltd	2,295,194	1.23%
Mr Anthony Gilby	1,695,330	.91%
BNP Paribas Noms Pty Ltd <DRP>	1,469,987	.79%
Nico Rogerson Esq	1,456,740	.78%
	136,018,816	72.68%

8. Restricted Securities

On 9 April 2015; 41,473,904 restricted securities were released from escrow and quotation for the same as fully paid ordinary shares was granted. These securities had been held in escrow as one of the conditions of the Company's listing on the ASX in April 2013. There were no restricted securities issued during the reporting period and there are currently none on issue.

9. Interests in Prospecting Licences (PL)

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

PL	Region	interest % *	Operator
1/2004	Lesedi Project (Botswana)	100%	Tlou Energy Botswana Pty Ltd
2/2004	Lesedi Project (Botswana)	100%	Tlou Energy Botswana Pty Ltd
3/2004	Lesedi Project (Botswana)	100%	Tlou Energy Botswana Pty Ltd
35/2000	Lesedi Project (Botswana)	100%	Tlou Energy Botswana Pty Ltd
37/2000	Lesedi Project (Botswana)	100%	Tlou Energy Botswana Pty Ltd
237/2014	Mamba Project (Botswana)	100%	Tlou Energy Botswana Pty Ltd
238/2014	Mamba Project (Botswana)	100%	Tlou Energy Botswana Pty Ltd
239/2014	Mamba Project (Botswana)	100%	Tlou Energy Botswana Pty Ltd
240/2014	Mamba Project (Botswana)	100%	Tlou Energy Botswana Pty Ltd
241/2014	Mamba Project (Botswana)	100%	Tlou Energy Botswana Pty Ltd

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