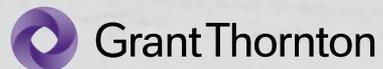




**TLOU ENERGY**

## **ADMISSION TO AIM**

Nominated Adviser:



Financial Adviser and Broker:



**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or as to what action you should take, you should seek your own personal advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser who specialises in advising on the acquisition of shares and other securities and is authorised under the Financial Services and Markets Act 2000 (as amended) if you are resident in the UK, or, if you are not resident in the UK, from an appropriately authorised independent adviser.**

The Company and the Directors, whose names appear on page 13 of this document, accept responsibility, collectively and individually, for the information contained in this document and for compliance with the AIM Rules for Companies. To the best of the knowledge of the Directors, each of whom have taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

This document does not constitute an offer or constitute any part of an offer of transferable securities to the public in the United Kingdom, within the meaning of section 85 and 102B of FSMA. Accordingly, this document does not constitute a prospectus under the Prospectus Rules published by the FCA and has not been approved or examined by and will not be filed with the FCA.

In accordance with the AIM Rules for Companies, application will be made for the Enlarged Share Capital to be admitted to trading on AIM. It is expected that Admission will become effective and dealings in the Ordinary Shares will commence on AIM on 30 November 2015.

This document has been prepared in accordance with Schedule One (and its supplement for quoted applicants) of the AIM Rules for Companies published by the London Stock Exchange. It includes, *inter alia*, all information that is equivalent to that required for an admission document and which is not found in the current public disclosure record of Tlou Energy Limited, meaning all information filed with the Australian Securities Exchange (available at [www.asx.com.au](http://www.asx.com.au)) and all information available on the website of the Company at [www.tlouenergy.com](http://www.tlouenergy.com) (together comprising the "Public Record"). This document, which is dated 27 October 2015, will be available on the Company's website from 27 October 2015. This document should be read in conjunction with the announcement made by the Company on 27 October 2015, being at least 20 Business Days prior to Admission, (the "20 Day Announcement") and the Public Record. This document and the 20 Day Announcement together constitute "the Announcement". Copies of the Announcement will also be available during this period to the public free of charge, during business hours on any day (except Saturdays, Sundays and public holidays) at the offices of Memery Crystal LLP, 44 Southampton Buildings, London WC2A 1AP from the date of this document until at least one month from the date of Admission.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this document.



# Tlou Energy Limited

*(Incorporated with limited liability in Australia with business number ABN 79 136 739 967)*

## Placing of 18,462,973 Ordinary Shares

### Application for admission of the Enlarged Share Capital to trading on AIM

#### Issued and fully paid Ordinary Shares of no par value

*Immediately prior to Admission*

187,156,319

*Immediately following Admission*

205,619,292

*Financial Adviser and UK Broker*

**Brandon Hill Capital Limited**

*Nominated Adviser*

**Grant Thornton UK LLP**

**THE WHOLE OF THE TEXT OF THIS DOCUMENT SHOULD BE READ AND IN PARTICULAR YOUR ATTENTION IS DRAWN TO THE SECTION ENTITLED "RISK FACTORS" SET OUT IN PART 2 OF THIS DOCUMENT WHICH DESCRIBES CERTAIN RISKS ASSOCIATED WITH AN INVESTMENT IN THE COMPANY.**

Grant Thornton, which is authorised and regulated in the United Kingdom by the FCA, is acting as nominated adviser to the Company in connection with the Admission. Its responsibility as the Company's nominated adviser under the AIM Rules for Companies is owed solely to the London Stock Exchange and is not owed to the Company or to any Director or to any other person in respect of any decision to acquire shares in the Company in reliance on any part of this document. Grant Thornton is acting exclusively for the Company and for no one else and will not be responsible to anyone other than the Company for providing the protections afforded to its clients or for providing advice in relation to the contents of this document or Admission.

Brandon Hill, which is authorised and regulated in the United Kingdom by the FCA, is acting as Financial Adviser and broker to the Company with effect from Admission. Brandon Hill will be acting exclusively for the Company and for no one else and will not be responsible to anyone other than the Company for providing the protections afforded to its clients or for providing advice in relation to the contents of this document or Admission.

Neither Brandon Hill nor Grant Thornton have authorised the contents of this document and no representation or warranty, express or implied, is made by either Brandon Hill or Grant Thornton as to the accuracy or contents of this document or the opinions contained therein, without limiting the statutory rights of any person to whom this document is issued. The information contained in this document is not intended to inform or be relied upon by any subsequent purchasers of Ordinary Shares (whether on or off exchange) and, accordingly, no duty of care is accepted by Brandon Hill or Grant Thornton in relation to them. No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied upon as having been so authorised. The delivery of this document will not, under any circumstances, be deemed to create any implication that there has been no change in the affairs of the Company since the date of this document or that the information in this document is correct at any time subsequent to its date.

Neither the Company nor the Directors are providing prospective investors with any representations or warranties or any legal, business, tax, investment or other advice. Prospective investors should consult their professional advisers as necessary on the potential consequences of subscribing for, holding or selling Ordinary Shares under the laws of their country and/or state of citizenship, domicile or residence.

This document does not constitute an offer to sell or issue, or the solicitation of an offer to subscribe for or buy, securities in any jurisdiction in which such offer or solicitation is unlawful and, in particular, is not for distribution into the United States of America, Canada, Australia, the Republic of South Africa or Japan. The Ordinary Shares have not been and will not be registered under the United States Securities Act 1933 (as amended) nor under the applicable securities laws of the United States of America or any province or territory of Canada, Australia, the Republic of South Africa or Japan, nor in any country or territory where to do so may contravene local securities laws or regulations and will not be made to any national, resident or citizen of the United States of America, Canada, Australia, the Republic of South Africa or Japan. The distribution of this document in other jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restriction. Any failure to comply with these restrictions may constitute a violation of the securities law of any such jurisdictions. The Ordinary Shares have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

To the extent that information has been sourced from a third party, this information has been accurately reproduced and, as far as the Directors are aware and are able to ascertain from information published by such third party, no facts have been omitted which may render the reproduced information inaccurate or misleading.

The distribution of this document in certain jurisdictions may be restricted by law. Persons into whose possession this document comes should inform themselves about and observe any such restrictions. Failure to comply with any such restrictions may constitute a violation of the securities laws of any such jurisdiction.

## **IMPORTANT INFORMATION**

### **FORWARD-LOOKING STATEMENTS**

Certain statements in this document are “forward-looking statements”. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as “anticipate”, “target”, “expect”, “estimate”, “intend”, “plan”, “goal”, “consider”, “believe”, “will”, “may”, “should”, “would”, “could”, or other words of similar meaning. All forward-looking statements involve risks and uncertainties and are based on current expectations regarding important factors. Statements contained herein are subject to known or unknown risks, uncertainties and contingencies, many of which are beyond the control of the Company, which may cause the actual results, financial condition, performance or achievements of the Group to differ materially from anticipated results, financial condition, performance or achievements expressed or implied by such forward-looking statements. Factors that might cause forward-looking statements to differ materially from actual results include, among other things, requirements imposed by regulatory authorities, unpredictable events or circumstances, competitive factors in the industries in which the Group competes, as well as the impact of legislation and other regulations in the jurisdictions in which the Group operates. These forward-looking statements speak only as at the date of this document. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in the Group’s expectations with regards thereto or any change in events, conditions or circumstances on which any such statements are based unless required to do so by applicable law or the AIM Rules for Companies.

### **NOTICE TO ALL PROSPECTIVE INVESTORS**

The distribution of this document may be restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this document are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This document may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

Prospective investors should not assume that the information in this document is accurate as of any other date than the date of this document. The Company is not providing prospective investors with any legal, financial, business, tax or other advice. Prospective investors should consult with their own advisers, as required, to assist them in making their investment decision and to advise them whether they are legally permitted to purchase the Ordinary Shares. The contents of the Company’s website, including any websites accessible from hyperlinks on the Company’s website, do not form part of this document.

### **NOTICE TO PROSPECTIVE INVESTORS IN AUSTRALIA**

The Ordinary Shares are listed on ASX and the Company is required to lodge a copy of this Document with ASX. This document does not contain any offer or invitation to apply for Ordinary Shares or other securities and is therefore not a prospectus or other disclosure document under the Australian Corporations Act.

### **POTENTIAL ADDITIONAL PLACING SHARES**

The disclosures in this document refer to the minimum number of Placing Shares to be issued, being 18,462,973 (raising Gross Proceeds of £1,200,093). The Company reserves the right to issue additional new Ordinary Shares in connection with an additional placing raising up to a maximum of £300,000 (raising the total Gross Proceeds of £1,500,000). In the event that additional new Ordinary Shares are issued, a supplementary admission appendix will be published.

## CONTENTS

	<i>Page</i>
<b>Expected Timetable of Principal Events</b> .....	4
<b>Admission and Placing Statistics</b> .....	4
<b>Exchange Rates</b> .....	4
<b>Definitions</b> .....	5
<b>Glossary of Technical Terms and Abbreviations</b> .....	10
<b>Directors, Secretary and Advisers</b> .....	13
<b>Part 1 – Information on the Group</b> .....	15
1. Introduction.....	15
2. Market .....	17
3. Assets.....	18
4. Overview of Botswana Licences .....	19
5. Recent Work Programme and Testing .....	20
6. Forward Work Programme .....	20
7. Contingent and Prospective Resources .....	21
8. Offices, Board, Senior Management and Personnel.....	22
9. Corporate Governance .....	23
10. Summary Financial Information, Current Trading and Prospects for the Group.....	25
11. The Placing and Admission .....	25
12. Dividend Policy .....	25
13. Share Trading Policy.....	25
14. Takeover Regulations.....	25
15. Lock-in Arrangements.....	26
16. Depository Interests, Settlement, Dealings and CREST.....	26
17. Annual General Meeting .....	27
18. Share Incentive Arrangements.....	27
19. Taxation.....	27
20. Further Information .....	28
<b>Part 2 – Risk Factors</b> .....	29
<b>Part 3 – Summary Financial Information on the Group</b> .....	39
<b>Part 4 – Additional Information</b> .....	42

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this document and the Schedule 1 Announcement	27 October 2015
Annual General Meeting of the Shareholders of the Company	27 November 2015
Admission becomes effective and dealings in the Enlarged Share Capital expected to commence on AIM	8.00 a.m. on 30 November 2015
Expected date for CREST accounts to be credited (where applicable)	As soon as possible after 8.00 a.m. on 30 November 2015
Despatch of definitive share certificates (where applicable)	14 December 2015

*Each of the dates in the above timetable is subject to change without further notice. Temporary documents of title will not be issued. References in this admission document to a time are to London time unless otherwise stated.*

## ADMISSION AND PLACING STATISTICS

UK Placing Price per UK Placing Share	6.5 pence
Australian Placing Price per Australian Placing Share	A\$0.14
Number of Existing Ordinary Shares prior to Admission <sup>(1)</sup>	187,156,319
Number of Placing Shares <sup>(4)</sup>	18,462,973
Enlarged Share Capital immediately following Admission <sup>(1),(4)</sup>	205,619,292
Placing Shares as a percentage of the Enlarged Share Capital <sup>(1),(4)</sup>	8.98 per cent.
Number of outstanding Options <sup>(2)</sup>	10,575,000
Fully diluted share capital <sup>(2)</sup>	216,194,292
Gross Proceeds of the Placing <sup>(4)</sup>	£1,200,093
Net Proceeds of the Placing <sup>(4)</sup>	£770,206
Estimated market capitalisation of the Company at the Placing Price on Admission <sup>(3)</sup>	£13.37 m
AIM ticker (TIDM)	TLOU
ASX code	TOU
ISIN	AU000000TOU2

## EXCHANGE RATES

For reference purposes only, the following exchange rates were prevailing on 26 October 2015 (being the latest practicable day prior to the publication of this document)<sup>(5)</sup>:

BWP: £0.062

A\$1: £0.473

All amounts in this document expressed in the above currencies have, unless otherwise stated, been calculated using the above exchange rates.

### Notes:

- (1) subject to the Options remaining unexercised.
- (2) As at 26 October 2015, being the last practical date before the publication of this document, and excluding the BH Options.
- (3) Based on the closing price of the Ordinary Shares on the ASX on 26 October 2015, being the last practical date before the publication of this document.
- (4) The Company reserves the right to issue additional Ordinary Shares, increasing the Gross Proceeds to up to £1,500,000.
- (5) Source: [www.oanda.com](http://www.oanda.com).

## DEFINITIONS

The following definitions apply throughout this document unless otherwise stated or the context requires otherwise:

“ <b>Admission</b> ”	admission of the Enlarged Share Capital to trading on AIM, such admission becoming effective in accordance with the AIM Rules for Companies;
“ <b>AEST</b> ”	Australian Eastern Standard Time;
“ <b>AIM</b> ”	AIM, a market operated by the London Stock Exchange;
“ <b>AIM Rules for Companies</b> ”	the AIM Rules for Companies published by the London Stock Exchange containing rules and guidance relating to companies whose securities are traded on AIM;
“ <b>AIM Rules for Nominated Advisers</b> ”	the AIM Rules for Nominated Advisers published by the London Stock Exchange containing rules relating to nominated advisers of companies whose securities are traded on AIM;
“ <b>AGM</b> ”	the Annual General Meeting of the Shareholders of the Company to be held on 27 November 2015 at 10 a.m. AEST;
“ <b>ASIC</b> ”	Australian Securities and Investments Commission;
“ <b>ASX</b> ”	the Australian Securities Exchange;
“ <b>Australia</b> ”	the Commonwealth of Australia;
“ <b>Australian Corporations Act</b> ”	the Corporations Act 2001 of the Commonwealth of Australia;
“ <b>Australian Dollars</b> ” or “ <b>A\$</b> ”	Australian dollars, the lawful currency of Australia;
“ <b>Australian Placement Agreement</b> ”	the conditional agreement dated 27 October 2015 between Tlou, Integra and Morgans relating to the Australian Placing, summary details of which are set out in paragraph 10.4 of Part 4 of this document;
“ <b>Australian Placing</b> ”	the conditional placing of the Australian Placing Shares at the Australian Placing Price pursuant to the Australian Placing Agreement;
“ <b>Australian Placing Price</b> ”	A\$0.14;
“ <b>Australian Placing Shares</b> ”	3,535,667 Ordinary Shares to be issued to the Placees pursuant to the Australian Placing;
“ <b>ASX Listing Rules</b> ”	the official listing rules of ASX and any other rules of ASX which are applicable while the Company is admitted to ASX, each as amended or replaced from time to time, except to the extent of any express written waiver by ASX;
“ <b>BDO</b> ”	BDO Audit Pty Limited, a limited liability partnership registered in Australia, the Company’s auditors;
“ <b>BDO Corporate Finance</b> ”	BDO Corporate Finance Pty Limited, a limited liability partnership registered in Australia, the Company’s reporting accountants in relation to Admission;
“ <b>BH Options</b> ”	the options to subscribe for Ordinary Shares pursuant to the terms of the BH Option Agreement;
“ <b>BH Option Agreement</b> ”	the option agreement entered into on 27 October 2015 between the Company and Brandon Hill, details of which are set out in paragraph 10.6 of Part 4;
“ <b>Botswana</b> ”	the Republic of Botswana;

<b>“Brandon Hill”</b>	Brandon Hill Capital Limited, which is authorised and regulated by the FCA to carry on investment business, the Company’s Broker as defined in and as required by the AIM Rules for Companies from Admission;
<b>“BWP”</b>	Botswana Pula, the currency of Botswana;
<b>“CBM”</b>	coal bed methane;
<b>“certificated” or “in certificated form”</b>	the description of a share or other security that is not held in uncertificated form (that is, not held in CREST);
<b>“CHESS”</b>	the Clearing House Electronic Sub-register System, an electronic book-entry register of holdings of approved securities, which is a subregister of the Company’s securities register and is managed by the ASTC, a wholly owned subsidiary of ASX;
<b>“Company” or “Tlou”</b>	Tlou Energy Limited, a public company incorporated in Australia, which is listed on the ASX with the designated ASX code TOU;
<b>“Constitution”</b>	the constitution of the Company, a summary of which is set out in paragraph 4 of Part 4 of this document and which is available on the Company’s website (to be amended at the AGM, as set out in paragraph 17 of Part 1 of this document);
<b>“CREST”</b>	the relevant system (as defined in the CREST Regulations) operated by Euroclear which facilitates the holding of and transfer of title to securities in uncertificated form;
<b>“CREST Regulations”</b>	the UK Uncertificated Securities Regulations 2001 (SI 2001/3755) including any enactment or subordinate legislation which amends or supersedes those regulations and any applicable rules made under those regulations or any such enactment or subordinate legislation for the time being in force;
<b>“Custodian”</b>	means the custodian or custodians appointed by the Depositary;
<b>“Depositary Deed”</b>	the deed made by the Depositary on 27 October 2015 in favour of the DI Holders, details of which are set out in paragraph 10.8 of Part 4 of this document;
<b>“Depositary”</b>	Computershare Investor Services plc, a company incorporated in England and Wales;
<b>“Depositary Agreement”</b>	the agreement entered into on 27 October 2015 between the Company and the Depositary, details of which are set out in paragraph 10.7 of Part 4 of this document;
<b>“Depositary Interests” or “DIs”</b>	dematerialised depositary interests representing Ordinary Shares;
<b>“DI Holders”</b>	holders of a DI issued pursuant to the Depositary Deed;
<b>“Directors” or “Board”</b>	the directors of the Company as at the date of this document, whose names are set out on page 13 of this document (and each of them, a “Director”);
<b>“Disclosure and Transparency Rules” or “DTR”</b>	the disclosure and transparency rules published by the FCA from time to time;
<b>“EIA”</b>	environmental impact assessment;
<b>“Enlarged Share Capital”</b>	the 205,619,292 Ordinary Shares in issue at Admission (assuming issue and allotment of the Placing Shares and no exercise of the Options);
<b>“Euroclear”</b>	Euroclear UK & Ireland Limited, a company incorporated in England & Wales, being the operator of CREST;
<b>“Existing Ordinary Shares”</b>	187,156,319 Ordinary Shares in issue at the date of this document;

<b>“Farm-In Agreement”</b>	the amended and restated licence farm-in agreement in relation to the Lesedi Licences entered into on 2 August 2007 by Kalahari, Sekaname and Sable Energy (a subsidiary of the Company), further details of which are set out in paragraph 10.11 of Part 4;
<b>“FCA”</b>	the Financial Conduct Authority of the United Kingdom;
<b>“FSMA”</b>	the UK Financial Services and Markets Act 2000, as amended, including any regulations made pursuant thereto;
<b>“GST”</b>	Australian Goods and Services Tax;
<b>“Grant Thornton”</b>	Grant Thornton UK LLP, which is authorised and regulated by the FCA to carry on investment business, the Company’s Nominated Adviser as defined in and as required by the AIM Rules for Companies;
<b>“Group”</b>	together, the Company and its subsidiaries from time to time;
<b>“HMRC”</b>	UK HM Revenue & Customs;
<b>“Integra”</b>	Integra Advisory Partners Pty Ltd, ACN 159436450;
<b>“ISIN”</b>	International Securities Identification Number;
<b>“Kalahari”</b>	Kalahari Energy Ltd (reg no. BC 1042959), incorporated in the British Virgin Islands;
<b>“Lesedi CBM Project”</b>	Tlou’s CBM project in Botswana, covered by the Lesedi Licences;
<b>“Lesedi Licences”</b>	the prospecting rights issued to Tlou Resources pursuant to the MMA under numbers PL001/2004, PL002/2004, PL003/2004, PL035/2000 and PL037/2000, further details of which are set out in paragraph 10.14 of Part 4 of this document;
<b>“Lesedi Pilot Pod”</b>	the pilot well operations at the Lesedi CBM Project, comprising a number of vertical and lateral well pairs;
<b>“Lock-in Arrangements”</b>	the lock-in arrangements entered into by the Company, the Directors, Brandon Hill and Grant Thornton, details of which are set out in paragraph 10.5 of Part 4 of this document;
<b>“London Stock Exchange”</b>	London Stock Exchange plc;
<b>“Mamba CBM Project”</b>	Tlou’s CBM project in Botswana, covered by the Mamba Licences;
<b>“Mamba Licences”</b>	the prospecting rights issued to Tlou Solutions pursuant to the MMA under numbers PL237/2014, PL238/2014, PL239/2014, PL240/2014 and PL241/2014, further details of which are set out in paragraph 10.15 of Part 4 of this document;
<b>“MMA”</b>	the Mines and Minerals Act, Cap 66:01 of the laws of Botswana;
<b>“MMEWR”</b>	the Ministry of Mines, Energy and Water Resources in Botswana;
<b>“Morgans”</b>	Morgans Corporate Limited, ACN 010539607;
<b>“NSW”</b>	New South Wales, a state in Australia;
<b>“NSAI”</b>	Netherland, Sewell & Associates, Inc. worldwide petroleum consultants;
<b>“Official List”</b>	the Official List maintained by the UKLA pursuant to Part VI of FSMA;
<b>“Options”</b>	rights to acquire Ordinary Shares, as described in paragraph 11 of Part 4 of this document;
<b>“Ordinary Shares”</b>	ordinary shares of no par value in the capital of the Company;
<b>“Placees”</b>	the investors who have conditionally agreed to subscribe for the Placing Shares at the Placing Price pursuant to the Placing;
<b>“Placing”</b>	the UK Placing and the Australian Placing;

“Placing Price”	the Australian Placing Price or the UK Placing Price, as appropriate;
“Placing Shares”	the Australian Placing Shares and the UK Placing Shares;
“Pounds Sterling” or “£”	pounds sterling, the lawful currency of the UK;
“Public Record”	without limitation, all information filed with the ASIC (available for searching at <a href="http://www.asic.gov.au">www.asic.gov.au</a> ), disclosures made by the Company to ASX (available at <a href="http://www.asx.co.au">www.asx.co.au</a> ) and all information available on the website of the Company at <a href="http://www.tlouenergy.com">www.tlouenergy.com</a> as at the date of this document;
“Prospectus Rules”	the prospectus rules of the FCA made under Part VI of FSMA;
“QCA”	the Quoted Companies Alliance;
“Resolutions”	the resolutions numbered 5,7 and 8 to be proposed for approval by the Shareholders at the AGM as set out in the notice of AGM, published on the Company’s website at <a href="http://www.tlouenergy.com">www.tlouenergy.com</a> ;
“Sable Energy”	Sable Energy Holdings (Barbados) Inc (reg no. 27722), a wholly owned subsidiary of the Company, incorporated in Barbados;
“Schedule 1 Announcement”	the announcement setting out the information required by Rule 2 of the AIM Rules for Companies;
“Sekaname”	Sekaname (Pty) Ltd (reg no. 2003/7627), incorporated in Botswana and a subsidiary of Kalahari;
“Selemo Pilot Pod”	the pilot well operations at the Selemo field of the Lesedi CBM Project, comprising a number of vertical and lateral well pairs;
“Senior Management”	the senior management of the Company on Admission as described in paragraph 8 of Part 1 of this document;
“Share Trading Policy”	the policy on trading in the Company’s securities adopted by the Company;
“Shareholder”	a holder of Ordinary Shares from time to time (and “Shareholders” shall be construed accordingly);
“SRK”	SRK Consulting (Australasia) Pty Ltd, a geological consultancy company registered in Australia, acting as the Company’s Competent Person for the purposes of Admission;
“SRK CPR”	the report entitled “Independent Geologist’s Report: CBM Licences in Botswana” and dated 26 October 2015 prepared by SRK in accordance with SPE-PRMS guidelines and available on the Company’s website;
“subsidiary” or “subsidiary undertaking”	have the meanings given to such terms in section 1159 of the UK Companies Act 2006;
“Substantial Shareholders”	a holder of more than 10 per cent. of the Company’s AIM securities, as defined in the AIM Rules for Companies;
“TIDM”	tradable instrument display mnemonic;
“Tlou Resources”	Tlou Energy Resources (Pty) Ltd, a wholly owned subsidiary of the Company (subject to the Farm-In Agreement, as described in paragraph 10.11 of Part 4 of this document), incorporated in Botswana;
“Tlou Solutions”	Tlou Energy Solutions (Pty) Ltd, a wholly owned subsidiary of the Company, incorporated in Botswana;
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland;
“UK Corporate Governance Code”	the UK Corporate Governance Code published by the UK Financial Reporting Council in September 2012;
“UK Placing”	the conditional placing of the UK Placing Shares at the Placing Price pursuant to the UK Placing Agreement;

<b>“UK Placing Agreement”</b>	the conditional agreement dated 27 October 2015 between Tlou, the Directors, Grant Thornton and Brandon Hill relating to the UK Placing summary details of which are set out in paragraph 10.3 of Part 4 of this document;
<b>“UK Placing Price”</b>	6.5 pence;
<b>“UK Placing Shares”</b>	14,927,306 Ordinary Shares to be issued to the Placees pursuant to the UK Placing;
<b>“UKLA”</b>	the United Kingdom Listing Authority, being the FCA acting in its capacity as the competent authority for the purposes of Part VI of FSMA;
<b>“UK Takeover Code”</b>	the UK City Code on Takeovers and Mergers;
<b>“uncertificated”</b>	recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST, including by way of a DI arrangement, and title to which, by virtue of the CREST Regulations, may be held or transferred by means of CREST;
<b>“US” or “United States”</b>	the United States of America, its territories and possessions, any state of the United States of America and the district of Columbia and all other areas subject to its jurisdiction; and
<b>“VAT”</b>	UK Value Added Tax.

A glossary of technical terms and expressions is set out on pages 10 to 12 of this document.

## GLOSSARY OF TECHNICAL TERMS AND ABBREVIATIONS

The following table provides an explanation of certain technical terms and abbreviations used in this document. The terms and their assigned meanings may not correspond to standard industry meanings or usage of these terms.

“1C”	low estimate scenario of Contingent Resources in accordance with SPE-PRMS;
“1P”	proved reserves in accordance with SPE-PRMS;
“2C”	best estimate scenario of Contingent Resources in accordance with SPE-PRMS;
“2P”	proved and probable reserves in accordance with SPE-PRMS;
“3C”	high estimate scenario of Contingent Resources in accordance with SPE-PRMS;
“Appraisal Drilling” or “Appraisal”	drilling carried out once gas has been discovered in order to assess the extent of the field, the reserves, the possible rate of production and the properties of the gas;
“Assessment”	the geosciences, engineering, and associated studies conducted on a petroleum exploration, development, or producing project resulting in estimates of the quantities that can be recovered and sold and the associated cash flow under defined forward conditions. Projects are classified and estimates of derived quantities are categorised according to applicable guidelines;
“Best Estimate”	this is considered to be the best estimate of the quantity that will actually be recovered from the accumulation by the project. It is the most realistic assessment of recoverable quantities if only a single result were reported. If probabilistic methods are used, there should be at least a 50% probability (P50) that the quantities actually recovered will equal or exceed the best estimate. For Prospective Resources estimates, this estimate is dependent on a discovery being made. For Contingent Resources, this estimate is dependent on economic contingencies being successfully addressed;
“cfd”	cubic feet per day;
“Coal Bed Methane” or “CBM”	natural gas contained in coal deposits, whether or not stored in gaseous phase. Coal bed gas, although usually mostly methane, may be produced with variable amounts of inert or even non-inert gases;
“Coal Seam”	a strata of coal that is thick enough to be mapped over an area or mined;
“Contingent Resources”	those quantities of hydrocarbons estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects but which are not currently considered to be commercially recoverable due to one or more commercial contingencies;
“CPR”	competent person’s report;
“High Estimate”	this is considered to be an optimistic estimate of the quantity that will actually be recovered from an accumulation by a project. If probabilistic methods are used, there should be at least a 10% probability (P10) that the quantities actually recovered will equal or exceed the high estimate. For Prospective Resources estimates, this estimate is dependent on a discovery being made. For Contingent Resources, this estimate is dependent on contingencies being successfully addressed;

<b>“Low Estimate”</b>	this is considered to be a conservative estimate of the quantity that will actually be recovered from the accumulation by a project. If probabilistic methods are used, there should be at least a 90% probability (P90) that the quantities actually recovered will equal or exceed the low estimate. For Prospective Resources estimates, this estimate is dependent on a discovery being made. For Contingent Resources, this estimate is dependent on contingencies being successfully addressed;
<b>“Mcf”</b>	thousand cubic feet;
<b>“Original Gas-in-Place (OGIP)”</b>	the total quantity of natural gas that is estimated to exist originally in naturally occurring reservoirs;
<b>“Pilot”</b>	a small development project to validate the petroleum engineering estimates of recovery, rates, and spacing before the operator commits to commercial development;
<b>“Pilot testing”</b>	data gathered from a Pilot;
<b>“Probabilistic Methods”</b>	the method of estimation of resources is called probabilistic when the known geoscience, engineering, and economic data are used to generate a continuous range of estimates and their associated probabilities;
<b>“Probability”</b>	the extent to which an event is likely to occur, measured by the ratio of the favourable cases to the whole number of cases possible. SPE convention is to quote cumulative probability of exceeding or equalling a quantity where P90 is the small estimate and P10 is the large estimate;
<b>“Probable Reserves”</b>	those additional reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than Proved Reserves;
<b>“Prospect”</b>	a project associated with a potential accumulation that is sufficiently well defined to present a viable drilling target;
<b>“Prospecting Licence” or “PL”</b>	authorisation granted by a government or relevant regulatory to an individual or entity, permitting the individual or entity to prospect for minerals and to register (stake) a claim;
<b>“Prospective Resources”</b>	those quantities of petroleum that are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations;
<b>“Proved Reserves”</b>	those quantities of petroleum, which by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods and government regulations;
<b>“Reserves”</b>	those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must further satisfy four criteria: they must be discovered, recoverable, commercial, and remaining (as of a given date) based on the development project(s) applied;
<b>“Risk”</b>	the probability of loss or failure;
<b>“Risk Factor”</b>	the chance of success;
<b>“SPE-PRMS”</b>	Petroleum Resources Management System, the resources and reserves certification guidelines promulgated by the Society of Petroleum Engineers, the American Association of Petroleum Geologists, the World Petroleum Council and the Society of Petroleum Evaluation Engineers. SPE-PRMS is an internationally recognised standard permitted to be used in the Note for Mining and Oil & Gas Companies pursuant to the AIM Rules for Companies;

<b>“TCF”</b>	trillion cubic feet;
<b>“Uncertainty”</b>	the range of possible outcomes in a series of estimates. For recoverable resources assessments, the range of uncertainty reflects a reasonable range of estimated potentially recoverable quantities for an individual accumulation or a project; and
<b>“Upstream”</b>	operations stages in the oil and gas industry that involve exploration and production.

## DIRECTORS, SECRETARY AND ADVISERS

<b>Directors:</b>	Nathan Andrew Mitchell ( <i>Non-Executive Chairman</i> ) Anthony (Tony) Rechka Gilby ( <i>Managing Director, Chief Executive Officer</i> ) Gabaake Gokatweng Gabaake ( <i>Executive Director</i> ) Martin James McIver ( <i>Non-Executive Director</i> )
<b>Registered office, principal place of business and business address of the Directors:</b>	210 Alice Street, Brisbane Queensland 4000 Australia
<b>Website:</b>	www.tlouenergy.com
<b>Company secretary:</b>	Solomon Rowland
<b>Nominated Adviser:</b>	Grant Thornton UK LLP 30 Finsbury Square London EC2P 2YU United Kingdom
<b>Financial Adviser and Broker:</b>	Brandon Hill Capital Limited 1 Tudor Street London EC4Y 0AH United Kingdom
<b>Legal advisers to the Company:</b>	
<i>Principal adviser as to English law:</i>	Memery Crystal LLP 44 Southampton Buildings London WC2A 1AP United Kingdom
<i>as to Australian law:</i>	Delphi Partners Pty Ltd Level 23 307 Queen Street Brisbane Queensland 4000 Australia
<i>as to Botswana law:</i>	Armstrongs (Pty) Ltd. Prime Plaza Plot 74538 2nd Floor Acacia House Cnr Khama Crescent Ext & PG Matante Road New CBD Gaborone Botswana
<i>as to Barbadian law:</i>	LEX Caribbean, Attorneys-at-law Worthing Corporate Centre Worthing Christ Church Barbados BB15008
<b>Legal advisers to the Nominated Adviser and the Broker</b> <i>as to English law:</i>	Field Fisher Waterhouse LLP Riverbank House 2 Swan Lane London EC4R 3TT United Kingdom

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

**Reporting Accountants:** BDO Corporate Finance Pty Ltd  
Level 10  
12 Creek Street  
Brisbane  
Queensland 4000  
Australia

**Competent Person:** SRK Consulting (Australasia) Pty Ltd  
10 Richardson Street  
West Perth  
Western Australia 6005  
Australia

**Australian Registrars:** Link Market Services  
Level 15  
324 Queen Street  
Brisbane  
Queensland 4000  
Australia

**UK Depositary:** Computershare Investor Services plc  
The Pavilions  
Bridgwater Road  
Bristol BS13 8AE  
United Kingdom

## PART 1

### INFORMATION ON THE GROUP

#### 1. INTRODUCTION

Tlou is an ASX listed company whose business is the exploration for and proposed production of unconventional gas, principally coal bed methane (CBM). The Group's focus is on its licences in Botswana, which are considered prospective for CBM, with sizeable independently assessed CBM resources.

Tlou has the most advanced CBM project in Botswana where its Lesedi CBM Project has Contingent Resources of 3.3 trillion cubic feet (TCF) (3C).

Tlou plans to augment the energy requirements of the southern African region which is experiencing energy deficits during a period when both its population and economies are growing rapidly. Tlou intends to supply CBM gas to enable gas powered generators to generate new electrical energy and to replace existing diesel and coal fired power generation. The Group has received strong interest in offtake agreements from local partners.

The Directors have considerable expertise in developing CBM projects from exploration through to production. Tony Gilby and Nathan Mitchell, both Directors, were pioneers of the CBM sector in Queensland, Australia creating substantial shareholder value in businesses that were acquired by major energy and energy services companies. The Directors believe that a similar opportunity is present in southern Africa and specifically Botswana, due to under-developed energy markets and the presence of significant potential gas resources. The Directors intend to develop the Group's CBM projects with a view to supplying gas to electricity markets in both Botswana and the wider southern Africa region.

The long term aim of the Group is to build a mid-tier energy provider in southern Africa.

Tlou is seeking a dual-listing on AIM to provide the Group with access to a broader pool of capital to support the development of the Lesedi CBM Project in Botswana. The Directors also believe the Company will be able to attract additional institutional and sophisticated investors following the increased awareness of the Group and its projects arising from listing on the AIM market.

#### **History and development of the Group**

Tlou was established in 2009 to develop prospective CBM licences in southern Africa, principally in Botswana. Historically, the Lesedi Licences were owned by Saber Energy, Inc. ("Saber"), and held pursuant to a Farm-In Agreement between Kalahari Energy Ltd and Sekaname (a subsidiary of Saber). In 2009, Tlou entered into a joint venture arrangement with Saber in respect of the Lesedi Licences and certain other licences in Botswana held by Saber. Under this arrangement, Tlou funded and undertook an exploration programme in respect of those licences and drilled a number of exploration wells. Subsequently, in November 2010, Tlou acquired the companies that held the licences that were subject to the joint venture with Saber, in exchange for an issue of Ordinary Shares and certain options over Ordinary Shares to Talon Metals Corp, the parent company of Saber. Accordingly, the joint venture terminated, and Tlou is now the sole operator and owns 100 per cent.<sup>(1)</sup> of its most advanced project, the Lesedi Licences. The other licences acquired by Tlou as part of that transaction were not pursued by Tlou and have been relinquished. Further details of the Farm-In Agreement and the joint venture and acquisition referred to above are set out in paragraphs 10.11, 10.12 and 10.13 of Part 4 of this document.

In 2011, Tlou conducted a pre-feasibility appraisal drilling and testing programme at its Lesedi CBM Project which underpinned the independent certification of 152 BCF of 2C and 2.3 TCF of 3C Contingent Resources by NSAI in 2012.

In April 2013, Tlou completed an initial public offer and listed on ASX, raising A\$10 million. In December 2013, a further A\$13.4 million was raised through a retail entitlement offer (akin to an open offer in the UK). The funds raised were earmarked for the continued appraisal of the Lesedi CBM Project.

In November 2014, Tlou flared its first gas at the Selema Pilot Pod within the Lesedi CBM Project. In 2015, Tlou commissioned SRK to prepare an updated Independent Geologist's Report which provides the

---

(1) Tlou, through its wholly-owned subsidiary, Sable Energy, owns 100 per cent. of the issued shares of Tlou Resources, which holds the Lesedi Licences, but 10 per cent. of that holding is held subject to the Farm-In Agreement and the full benefit of that 10 per cent. is only released to Sable Energy upon Tlou Resources being granted a mining licence in respect of a Lesedi Licence. Further details of the Farm-In Agreement are set out in paragraph [10.11] of Part [4] of this document.

independent views of a competent person, taking into account data available since the initial certification by NSAI in 2012 (a further updated report has been produced by SRK in October 2015 to ensure that the report is dated within six months of Admission). The updated report upgraded the CBM resources as at 8 April 2015 and included the first 1C certified contingent CBM resources in Botswana, and 2C Contingent Resources of 239 BCF and 3C of 3.3 TCF, an increase of 57 per cent. and 42 per cent. respectively (see table 2 in paragraph 7 below). The Directors believe that these upgraded resources reinforce Tlou’s position as the most advanced CBM project in Botswana.

In June 2015, following the successful development milestones reached at the Selemo Pilot Pod, Tlou completed an entitlement offer which raised A\$5.5 million in order to fund an expanded pilot pod drilling programme. This programme involved drilling two additional horizontal pilot well pods adjacent to the current Selemo Pilot Pod. The drilling programme was completed in September 2015, with the wells subsequently completed with down-hole pumps and installation of surface testing equipment installed to commence the production testing phase, which will be ongoing into 2016.

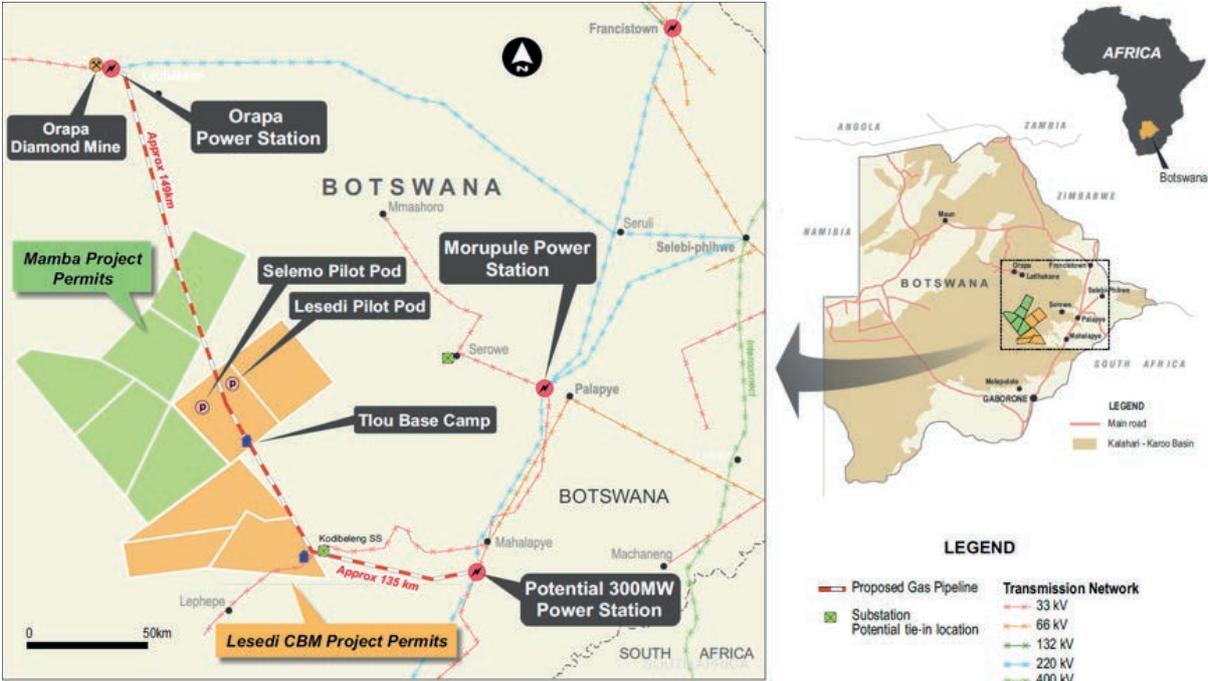
The objectives of the expanded Selemo Pilot Pod programme are to:

- (i) establish a sustained gas flow by increasing dewatering capacity;
- (ii) maximise reservoir drainage area;
- (iii) measure long-term gas flow potential;
- (iv) establish project economics; and
- (v) achieve reserves certification in advance of field development.

The Directors believe that this programme will provide further information to understand the economic feasibility of the Lesedi CBM Project, with the aim of achieving reserves certification in advance of field development.

Tlou’s other project area, internally referred to as ‘Mamba’, is located adjacent to the Lesedi CBM Project. The Mamba Licences were awarded to Tlou in 2014 as part of a competitive tendering process administered by the MMEWR. The Mamba Licences were previously held by Anglo Coal Botswana prior to it relinquishing these assets. Tlou will continue desktop geological studies of the Mamba data in the next twelve months as well as planning for future corehole drilling, subject to EIA approval.

**Figure 1: Location of Tlou’s CBM Projects in Botswana**



**2. MARKET**

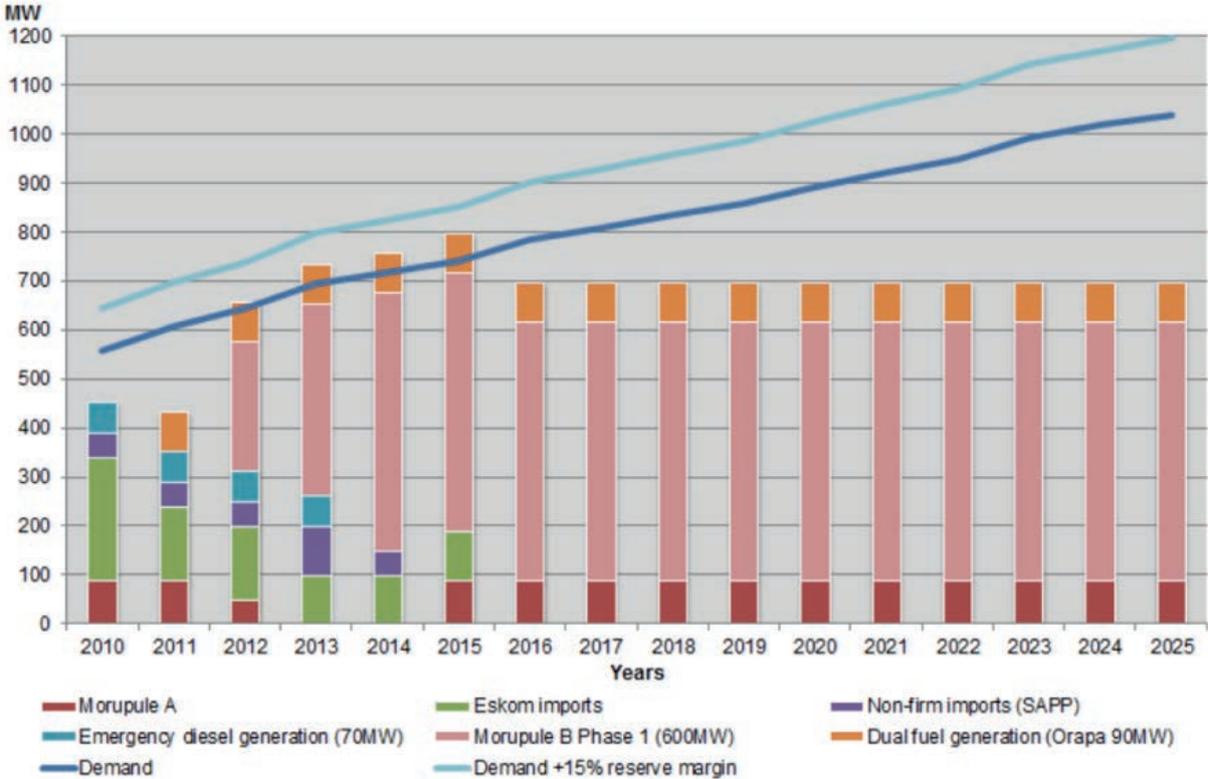
Tlou is seeking to become a fully integrated energy company, supplying gas and electricity in Botswana and in the wider southern Africa region from its CBM projects. The Directors believe that the energy markets in Botswana are underdeveloped and will continue to suffer from a deficit of supply in the medium term. In response to power shortages in its domestic market of South Africa, the largest supplier of electricity in the region, Eskom, is progressively terminating power export agreements to other South African countries whilst continuing to rely on coal resources for its power stations. In addition, other southern African governments are demonstrating increasing levels of support for independent power producers.

Botswana is currently placing heavy reliance on expensive diesel generation due to unfulfilled import commitments from Eskom and the underperformance of the Botswana Government owned Morupule B coal fired power station (comprising 4 x 132 MW units of net capacity at a cost of approximately BWP 11 billion). The Minister of the MMEWR recently outlined at the country’s resources sector conference a number of key priorities to address the underperformance of Morupule B, including: (i) short-term remediation to attempt to bring all four units into operation; and (ii) major remediation work over the next two years in order to improve reliability of the power station over its expected life cycle.

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

Figure 2 below illustrates forecast Botswana demand and supply capacity balance (in MW) for the period to 2025 (assuming Morupule B operates at full capacity which is unlikely in the short-term given the remediation work required), with demand being projected with and without a system reserve margin of 15 per cent., considered prudent from a system planning and operations perspective to cater for generating plant outages (planned and unplanned).

*Figure 2: Botswana demand – supply capacity balance (in MW) with existing supply options*



Source: Norconsult, 2013.

### 3. ASSETS

#### Assets

The Group holds interests in two CBM projects located in Botswana, being the Lesedi CBM Project and the Mamba CBM Project. The Group's current focus is on its Lesedi CBM Project.

The Group's assets are summarised in Table 1, below:

**Table 1: Summary of the Group's Prospecting Licences<sup>(1)</sup>**

Licence/contract	Group Interest (%)	Phase	Operator	Expiry date	Area (gross) (km <sup>2</sup> )	Unconventional gas type
<b>Lesedi Project:</b>						
PL 001/2004	100 <sup>(2)</sup>	Appraisal	Tlou	31 March 2017	898	CBM
PL 002/2004	100 <sup>(2)</sup>	Pilot Testing	Tlou	31 March 2017	899.4	CBM
PL 003/2004	100 <sup>(2)</sup>	Exploration	Tlou	31 March 2017	757.4	CBM
PL 035/2000	100 <sup>(2)</sup>	Exploration	Tlou	30 September 2016	561	CBM
PL 037/2000	100 <sup>(2)</sup>	Exploration	Tlou	30 September 2016	897	CBM
<b>Mamba Project:</b>						
PL 237/2014	100	Exploration	Tlou	30 June 2017	958	CBM
PL 238/2014	100	Exploration	Tlou	30 June 2017	827	CBM
PL 239/2014	100	Exploration	Tlou	30 June 2017	968	CBM
PL 240/2014	100	Exploration	Tlou	30 June 2017	885	CBM
PL 241/2014	100	Exploration	Tlou	30 June 2017	873	CBM

Source: SRK CPR, Company.

#### Notes:

- (1) The interest shown in each of the licences represents the percentage that Tlou Energy Limited holds in the corporate holder of the licence, each being a subsidiary of Tlou Energy Limited..
- (2) Tlou, through its wholly-owned subsidiary, Sable Energy, owns 100 per cent. of the issued shares of Tlou Resources, which holds the Lesedi Licences, but 10 per cent. of that holding is held subject to the Farm-In Agreement and the full benefit of that 10 per cent. is only released to Sable Energy upon Tlou Resources being granted a mining licence in respect of a Lesedi Licence. Further details of the Farm-In Agreement are set out in paragraph 10.11 of Part 4 of this document.

The Farm-In Agreement entered into between Saber, Kalahari and Sekaname (a subsidiary of Kalahari) entitles Sekaname, once Tlou Resources develops a wellhead for the purposes of commercial exploration of the gas reserves contained in the land subject to the Lesedi Licences, to receive from Tlou Resources a royalty of ZAR 2.0/Mcf produced at the wellhead or 12.5 per cent. of the wellhead selling price of gas produced (less certain transport and logistical costs), whichever is greater.

#### Botswana legal and regulatory position

Under Botswana Law, Prospecting Licences are issued for three years with two options to renew, each renewal period not exceeding two years. The MMEWR may grant an extension of two years at the end of the seven year period where a discovery has been made and evaluation work has not, despite proper efforts, been completed.

Alternatively, the holder of the Prospecting Licence could apply for a retention licence and/or a mining licence. Generally, retention licences entitle the holder to keep the area to which the licence relates for future mining operations and to carry on prospecting within the retention area. They are granted for two periods not exceeding three years each.

The holder of a prospecting licence, retention licence or a waiver (issued by the Minister of the MMEWR once it is satisfied that the area over which a mining licence is applied for has been sufficiently prospected and that no other person has exclusive rights to that area) may apply for a mining licence for an area in respect of which the waiver has been issued or for an area within his prospecting area or retention area. The Minister of the MMEWR will normally grant a mining licence if he is satisfied that, *inter alia*, the applicant is the holder of the prospecting licence, retention licence or waiver issued, and that the applicant has access to adequate financial resources, technical competence and experience to carry on effective mining operations, the proposed financing plan is in accordance with good financial practice, and provides for a debt to equity ratio of no more than 3:1 unless agreed by the Minister of the MMEWR.

The holder of a mining licence may enter any land to which his mining licence relates and:

- take all reasonable measures on or under the surface to mine the mineral for which a mining licence has been granted;

- erect the necessary plant, equipment and buildings for the purposes of mining, transporting, dressing, treating, smelting or refining minerals recovered by them during mining operations;
- dispose of any mineral product recovered;
- prospect within his area for the mineral for which he holds a mining licence or any other mineral; and
- stack or dump any mineral or waste product in a manner approved by the Director of Mines.

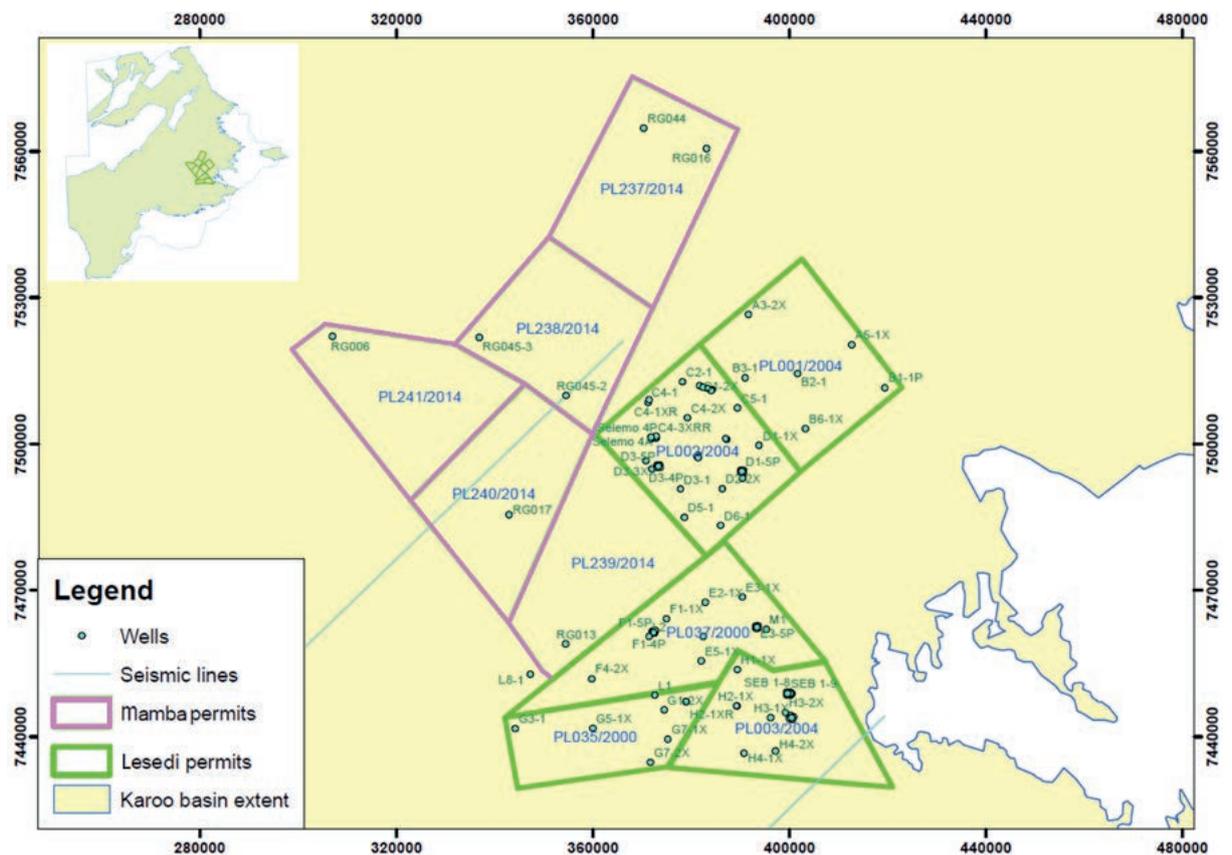
A mining licence is valid for a period not exceeding 25 years. The Botswana Government has the option of acquiring up to 15 per cent. working interest participation in the proposed mine upon the issuance of a mining licence, and the Botswana Government shall have the right to appoint up to two directors and receive all dividends or other distributions in respect of its working interest percentage and would be required to contribute to its working interest percentage.

#### 4. OVERVIEW OF BOTSWANA LICENCES

Tlou owns and operates ten prospective CBM licences in Botswana, comprising the Lesedi Licences and the Mamba Licences, as described in paragraph 3 of this Part 1. These licences are located in the Karoo-Kalahari Basin, which contains a significant proportion of southern Africa’s coal deposits.

Tlou’s total licence area is classified into two project areas: (i) the Lesedi CBM Project (4,013km<sup>2</sup>); and (ii) the Mamba CBM Project (4,507km<sup>2</sup>) project areas as shown in Figure 3 below. The Lesedi CBM Project area is the most advanced project in Tlou’s portfolio and has received the most investment to date.

**Figure 3: Location of wells within the Lesedi and Mamba CBM Project areas**



Early exploration work has been carried out across the entire licence areas by both Tlou and previous operators of the licences. Based on the results of previous exploration, Tlou has been able to identify certain areas within its portfolio to focus further investment and additional resources. Where appropriate, as it has done on two separate occasions, Tlou has relinquished non-core and low prospectivity areas from its Botswana CBM licence portfolio in order to prioritise more highly prospective areas.

Since Tlou commenced activities in Botswana in 2009, it has actively explored the Lesedi CBM Project area, with coreholes drilled in each of the Lesedi Licences. Extensive reservoir data has allowed Contingent and Prospective Resources to be defined for the Lesedi CBM Project area.

Within the Lesedi CBM Project area there are 16 validated exploration coreholes in which specialist CBM laboratory analyses have been conducted.

Tlou is currently focusing efforts on CBM extraction from the Lower Morupule Coal within licence PL002/2004, however it is also recognised that additional targets exist within the Lesedi CBM Project area.

In addition, Tlou is conducting desktop studies in the Mamba CBM Project area, with a view to identifying drilling locations for a future exploration corehole campaign, subject to EIA approval. Tlou considers the Mamba CBM Project area to be in its exploration phase, and so far has not had ascribed to it any independently certified Prospective or Contingent Resources volumes. Further details of gas resources and a full copy of the SRK CPR are available on the Company's website.

## **5. RECENT WORK PROGRAMME AND TESTING**

### **Lesedi CBM Project**

Shortly after its ASX IPO in 2013, Tlou commenced drilling two separate pilot projects at the Lesedi CBM Project, being the Selemo Pilot Pod and Lesedi Pilot Pod. The Directors believe that the pilot programme implemented by Tlou was the first to achieve the successful adoption of surface-to-inseam drilling technology with vertical intersection in Botswana. Shortly after the completion of the drilling phase of each pilot pod, all production surface facilities were installed and commissioned with production testing commencing at both the Selemo and Lesedi Pilot Pods.

Tlou has made significant progress at its Lesedi CBM Project during 2015, particularly at the Selemo Pilot Pod, through achieving the following milestones:

- (1) *Achieved peak gas flow at the Selemo 1P well pod within the Selemo Pilot Pod of almost 400,000 cubic feet per day*

Recent activities have focused on dewatering and production testing Tlou's pilot operations. At the Selemo Pilot Pod, gas flaring commenced in November 2014 while dewatering operations continue. Tlou decided in December 2014 to determine the gas flow potential of the well by conducting short term tests as part of the longer term testing process to determine the commercial viability of the gas flow rates. These short term tests resulted in the Selemo Pilot Pod achieving a peak gas flow during production testing of almost 400,000 cfd.

- (2) *Announced an upgrade of the Company's independently certified Contingent Resources*

On 9 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 per cent. and 42 per cent. respectively (as set out in table 2 in paragraph [7]). The Directors believe that these positive developments reinforce Tlou's position as the most advanced upstream gas company in Botswana.

- (3) *Commenced an expanded pilot drilling programme at the Selemo Pilot Pod*

Given the success of the Selemo Pilot Pod, Tlou commenced an expanded drilling programme for the Selemo area in June 2015. Two additional horizontal pilot well pods were drilled adjacent to Selemo 1P within the Selemo Pilot Pod. These pods each consist of a vertical pumping well with a single inseam lateral intersection well. The aim of the expanded Selemo Pilot Pod programme is to maximise reservoir drainage area, measure long-term gas flow potential and achieve reserves certification in advance of field development.

### **Mamba CBM Project area**

In July 2014, Tlou was awarded five prospecting licences in Botswana by the MMEWR, which are internally referred to as the Mamba CBM Project area. The Mamba Licences are considered to be highly prospective as they are situated adjacent to Tlou's Lesedi CBM Project 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 Directors believe the acquisition of the Mamba CBM Project area would provide Tlou with considerable flexibility and a range of development options.

## **6. FORWARD WORK PROGRAMME**

Work programmes are expected to be conducted on all of Tlou's prospecting licences over the upcoming 12 to 18 months. The bulk of the work planned is in the Lesedi CBM Project areas, comprising:

- Production testing at the expanded Selemo Pilot Pod;

- Converting part of the Independently Certified Resources to Reserves;
- Receiving an approved EIA for field development; and
- Progressing gas commercialisation opportunities.

### Lesedi CBM Project

Production testing at the expanded Selemo Pilot Pod will be the main area of focus of work at 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. These testing operations are expected to continue into 2016. Positive results from production testing will validate the reservoir model and underpin initial gas reserves certification. Results from these pilot areas will ultimately feed into full-scale field development modelling.

Concurrent with the production testing at Selemo Pilot Pod, Tlou will continue the EIA approval process for the Lesedi CBM Project, which is a precursor to the award of a mining licence. The Company's EIA process is well underway with a scoping report approved and specialist studies conducted. Following further work to be completed by Tlou and its environmental consultants, the EIA application is expected to be lodged with the relevant Botswana Government department during the fourth quarter of 2015. The approval process is expected to take three to four months followed by a period of public review. A decision on the EIA is expected around April 2016. This EIA will form part of the Company's application for a mining licence which is required prior to the commencement of full field development.

Should the Company be successful in its application for a mining licence, it will need to secure additional capital to fund the required gas field development under offtake agreements that the Company intends to negotiate during 2016.

Prospective investors are advised that the production of gas from pilot wells is inconsistent and pilot production rates experienced do not guarantee that commercial production will be achieved in the desired time frames or at all. The Group's ability to move any or all of its projects into commercial production is subject to a number of factors, some of which are outside of its control.

### Mamba CBM Project

Tlou's forward work programme for the Mamba CBM Project area will consist of conducting desktop studies in the Mamba CBM Project area, with a view to creating drilling locations for a future exploration corehole campaign, subject to EIA approval, with the aim of defining the lateral extent of the coal formations as they progress westwards from the Lesedi CBM Project area.

### Use of Proceeds

The gross proceeds of the Placing and existing cash will be used for, *inter alia*:

- Gas production testing and field operating costs      £0.7 million
- Reserves Certification and EIA approval                      £0.2 million
- General and administrative                                      £1.0 million
- Transaction costs and working capital                      £0.4 million

## 7. CONTINGENT AND PROSPECTIVE RESOURCES

In March 2015, Contingent Resources were determined by SRK, in respect of PL001/2004 & PL002/2004 licences only (which are the two licences that are most advanced within the Lesedi CBM Project). The current resource estimates for Tlou's Lesedi CBM Project are set out in table 2 below):

**Table 2: Unrisked Contingent Resources as at 31 March 2015**

Category	OGIP (BCF)	Recoverable Gas (BCF)	Energy (PJ)
1C	7.6	4.9	4.4
2C	367.8	239.1	215.7
3C	5,347.5	3,295.5	2,943.1

*Source: SRK CPR.*

Resource categorisation conveys the relative degree of certainty more fully described in Appendix A of the SRK CPR, a copy of which can be found on the Company's website. Contingent Resources for these licences have been certified by SRK in April 2015 as an upgrade of the original NSAI report in 2012.

The two licences, PL001/2004 and PL002/2004, which contain the Group's defined Contingent Resources comprise only a part of Tlou's total licence area, with 1C and 2C resources encompassing the area immediately surrounding selected pilot wells drilled up to the report date of 26 October 2015. Tlou embarked on the latest round of horizontal pilot well drilling in mid-2015, with a view to achieving the sustained gas flow deliverability necessary to establish an economic project.

Prospective Resources for the remaining portion of the Lesedi CBM Project area (adjoining licences PL003/2004, PL035/2000 and PL037/2000) were determined by NSAI in 2012/13 and are set out table 3 below).

**Table 3: Unrisked Prospective Gas Resources as at 31 December, 2012**

Category	OGIP (BCF)	Unrisked Gross (100%) Prospective Gas Resources (BCF)
Low Estimate	2,459.5	644.1
Best Estimate	7,653.1	3,239.0
High Estimate	14,326.8	8,596.1

Source: NSAI, 2012.

## 8. OFFICES, BOARD, SENIOR MANAGEMENT AND PERSONNEL

### Board

The Board consists of two executive and two non-executive directors, details of whom are set out below along with details of the Group's senior management:

**Nathan Andrew Mitchell**, (aged 44), *Non-Executive Chairman*

Nathan Mitchell has more than 25 years' experience in the drilling and resource exploration industry. During 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, a vertically integrated coal and coal seam gas company with investments and operations across Australia, Asia and Africa. Nathan is the chairman of Mitchell Services Limited – an ASX-listed company that provides contract drilling services to the coal and CBM sectors. Nathan is also a former non-executive director of ASX listed Westside Corporation Limited.

**Anthony (Tony) Rechka Gilby**, (aged 54), *Managing Director, Chief Executive Officer*

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

Tony was awarded a Bachelor of Science (First Class Honours) degree in Geology from the University of Adelaide in 1984, where he 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 where his roles included exploration geology, geophysics, petrophysics and a period of time working in the Exxon Production Research Centre in Houston, Texas, studying the seismic application of sequence stratigraphy.

On his return to Australia, he continued to work with ESSO working on a new venture project, before 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 work as an independent consultant while completely the acquisition of prospective Queensland acreage in a private capacity. This work culminated in the founding of Sunshine Gas Limited where he remained Managing Director until its takeover by Queensland Gas Company in late 2008. He is a former non-executive director of ASX listed Comet Ridge Limited.

**Gabaake Gokatweng Gabaake**, (aged 51), *Executive Director*

Gabaake Gabaake graduated with a Bachelor of Science degree in Geology from the University of Botswana in 1986 followed by a Master's degree in groundwater hydrology from University College, 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 company boards including within the De Beers Group, Debswana Diamond Company (Pty) Limited and Diamond Trading Company Botswana.

***Martin James McIver, (aged 42), Non-Executive Director***

Martin McIver was appointed Non-Executive Director in September 2010. 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 covering bulk and dangerous goods logistics, and drilling services. Martin was the Executive General Manager of the Mitchell Group. Prior to joining the Mitchell Group, Martin was a Director in Mergers and Acquisitions with PricewaterhouseCoopers.

Martin is currently the General Manager – Services of the Workpac Group.

Further information on the Directors is set out in paragraphs 5, 6 and 7 of Part 4 of this document.

### **Senior Management**

***Glen William Smith, (aged 53), Chief Operating Officer***

Glen Smith has over 30 years' operational and exploration experience in the oil and gas industry having worked with both international and local oil and gas companies in offshore and onshore environments. His drilling and geological experience has included work in Australia, Papua New Guinea, New Zealand, Indonesia, Brazil and now Africa. His career commenced with Delhi Petroleum in the mid 1980's as a wellsite geologist before moving to fulfil various operations management roles, notably with Delhi, Esso/Exxon, MIM Petroleum and Innamincka Petroleum. More recently he has worked in the CBM industry with Comet Ridge Limited as the contract Drilling Manager. As COO Glen co-ordinates Tlou's day to day field, drilling and production operations in Botswana.

***Colm James Cloonan, (aged 38), Chief Financial Officer***

Colm Cloonan has over 14 years' experience in various finance roles. He has worked with accounting firms both in Ireland and Australia, where he held senior positions, and provided auditing, taxation advice, consulting and business services to entities in various industries. Colm has also provided financial and management accounting services to clients, which included retail companies and major coal and gas fired power generation assets in Australia. Colm studied accountancy at the Galway-Mayo Institute of Technology in Ireland and is a Fellow of the Association of Chartered Certified Accountants.

***Solomon Duncan Rowland, (aged 39), Company Secretary and Legal Counsel***

Solomon Rowland is a lawyer with over 10 years' experience in the legal profession. Solomon holds a Juris Doctor from the University of Queensland. Prior to joining Tlou as Company Secretary and Legal Counsel in February 2013, Solomon worked for Crown Law in Queensland, representing various Queensland Government Departments in a range of legal matters. During his time at Crown Law, Solomon was involved in advising government departments on commercial, corporate governance and policy matters as well as representing the State in various Courts, Tribunals and Commissions of Inquiry.

## **9. CORPORATE GOVERNANCE**

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

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

	<b>Chairman</b>	<b>Members</b>
Audit Committee	Martin McIver	Martin McIver Anthony Gilby Colm Cloonan
Risk Committee	Nathan Mitchell	Martin McIver Nathan Mitchell Glen Smith
Nomination and Remuneration Committee	Nathan Mitchell	Martin McIver Nathan Mitchell Anthony Gilby Gabaake Gabaake

### **Audit and Risk Committees**

The Audit and Risk Committees are required to meet periodically to help the Board oversee and maintain the integrity of the Group's accounting, financial reporting and internal controls. Additionally, the Audit and Risk Committees are required to commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, failure of internal controls, or infringement of any law, rule or regulation which has or is likely to have a material impact on the Group's results of operations and/or financial position.

The Audit and Risk Committees also have overview and governance control responsibilities for strategic, operational, environmental, sustainability, project, market, ethical, reputational, financial, compliance, technology and human capital risk management. The Audit and Risk Committees have delegated authority from the Board to review and investigate any matter within the scope of the committee's charter and make recommendations to the Board in relation to such matters.

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

### **Nomination and Remuneration Committee**

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

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

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

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

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

### **Anti-Bribery and Corruption Policy**

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

The Board has also adopted an Anti-Bribery and Corruption Procedure in order to implement this commitment. It is based on industry best practice principles and all employees of the Group are required to comply with the procedure.

The full charters of these Committees, together with the Constitution and Board Charter are available on the Company's website.

## **10. SUMMARY FINANCIAL INFORMATION, CURRENT TRADING AND PROSPECTS FOR THE GROUP**

A summary of the Group's consolidated financial statements for the three years ended 30 June 2015 is set out in Part 3 of this document.

Tlou has not yet started to produce and sell gas commercially and most of the Group's losses to date relate to expenditure on its exploration and appraisal activities. The Directors intend to use the funds raised through the Placing to continue developing the Lesedi CBM Project and, in particular, to continue production testing at the expanded Selema Pilot.

The Directors consider that the long-term prospects for unconventional gas are very encouraging and that the Group is well positioned to benefit from the future demand for unconventional gas, particularly in southern Africa.

## **11. THE PLACING AND ADMISSION**

The Company is conditionally issuing the Placing Shares by way of the UK Placing and Australian Placing to the Placees, to raise approximately £770,206 net of expenses. The Placing is conditional, *inter alia*, upon Admission becoming effective on 30 November 2015 (or such later date as agreed in accordance with the Placing Agreement and the Australian Placing Agreement but in any event no later than 15 December 2015) and the UK Placing Agreement and the Australian Placement Agreement not having been terminated prior to Admission. The Placing is also conditional on the Resolutions being passed at the AGM (further details are set out in paragraph 17 below). Further details of the UK Placing Agreement are set out in paragraph 10.3 of Part 4 of this document and further details of the Australian Placement Agreement are set out in paragraph 10.4 of Part 4 of this document.

The Placing Shares will be credited as fully paid up on issue and will rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive dividends and other distributions declared, made or paid on the Ordinary Shares after Admission.

The Company reserves the right to issue additional new Ordinary Shares prior to Admission, increasing the Gross Proceeds to up to £1,500,000. In the event that new Ordinary Shares are issued, a supplementary admission appendix will be published.

The Company is seeking Admission to enable the Company to attract institutional and supplemental investors and to access a larger international pool of capital. In addition, Tlou already has a number of existing UK and European shareholders, which currently represent approximately 20 per cent. of the Existing Ordinary Shares that will benefit from having their shares traded on AIM.

## **12. DIVIDEND POLICY**

The Company has not paid a dividend at any time since incorporation. The Company does not have any current intention to pay dividends as all of the Group's licences are at an exploration, appraisal or pilot/production testing stage. The Directors intend to retain a proportion of the Group's future earnings, if any, to finance the continued growth and development of the Group's business.

Consideration of the payment of dividends, if any, would be made in the future, when the Company is in a position to do so and would be made in Australian Dollars.

## **13. SHARE TRADING POLICY**

The Company has adopted a Share Trading Policy for Directors, employees and their associates which is appropriate for a company whose shares are admitted to trading on AIM (in order to, *inter alia*, ensure compliance with Rule 21 of the AIM Rules for Companies). A copy of the Share Trading Policy is available on the Company's website. The Company will take all reasonable steps to ensure compliance with the terms of the Share Trading Policy by the Board and all other relevant persons subject to it.

#### **14. TAKEOVER REGULATIONS**

The Company is not resident in the UK, Channel Islands or the Isle of Man and is therefore not subject to the UK Takeover Code.

As an Australian publicly listed company, a takeover of the Company is governed by chapter 6 of the Australian Corporations Act. The Australian Corporations Act contains a general rule that a person must not acquire a relevant interest in the issued voting shares of a company if, as a result of the transaction, a person's voting power in the company:

- increases from under 20 per cent. to more than 20 per cent.; or
- increases from a starting point which is above 20 per cent. but less than 90 per cent.

Under the Australian Corporations Act, a person's "voting power" is defined in broad terms and includes any relevant interest in shares held by a person and their associates, as defined in sections 10 to 17 of the Australian Corporations Act.

Certain acquisitions of relevant interests are exempt from this rule including, among others, acquisitions under takeover bids, acquisitions approved by Shareholders, acquisitions that do not result in the person having voting power more than 3 per cent. higher than that person had six months before the acquisition (so long as the person maintained voting power of at least 19 per cent. during that six month period), and acquisitions that result from rights issues, dividend reinvestment schemes and underwritings. A person's voting power is deemed to be that of that person and his/her associates.

If a person wishes to acquire more than 20 per cent. of a company, or increase a holding which is already beyond 20 per cent., the person must do so under one of the available exemptions, which includes undertaking a takeover bid in accordance with the Australian Corporations Act.

Under the Australian Corporations Act, a person who holds more than 90 per cent. of the shares in a company may compulsorily acquire all remaining shares. There is no provision under the Australian Corporations Act for minority Shareholders to require a person who holds more than 90 per cent. of the shares in a company to buy them out.

#### **15. LOCK-IN ARRANGEMENTS**

The Directors have each agreed with the Company, Grant Thornton and Brandon Hill not to dispose of any of their interests in Ordinary Shares held or acquired for a period of 12 months from the date of Admission, save in certain limited circumstances permitted by the AIM Rules. For a further 12 months the Directors have agreed only to dispose of their interests in Ordinary Shares through Brandon Hill, or the Company's AIM broker from time to time, in order to ensure an orderly market in the Ordinary Shares.

The aggregate interests following Admission which shall be subject to the Lock-In Arrangements, described above, will amount to 34,854,246 Ordinary Shares representing approximately 16.95 per cent. of the Enlarged Share Capital.

Further details of the Lock-In Arrangements are set out in paragraph 10.5 of Part 4 of this document.

#### **16. DEPOSITARY INTERESTS, SETTLEMENT, DEALINGS AND CREST**

To be traded on AIM, securities must be able to be transferred and settled through the CREST system, a UK computerised paperless share transfer and settlement system, which allows shares and other securities, including Depositary Interests, to be held in electronic rather than in paper form. The Australian equivalent of this system is called CHESS. For certain foreign securities, in this case the Ordinary Shares, to be transferred and settled through CREST, they need to be in the form of Depositary Interests.

The Company, through its Depositary, will have a facility whereby (pursuant to a depositary deed executed by the Depositary) Depositary Interests, representing Ordinary Shares, will be issued by the Depositary to persons who wish to hold the Ordinary Shares in electronic form within the CREST system. Under the Depositary Deed, the Depositary (or its nominee) will hold Ordinary Shares in certificated form on trust for Shareholders and it will issue uncertificated Depositary Interests (on a one-for-one basis) representing those underlying Ordinary Shares and provide the necessary custodian services. The relevant Shareholders will retain the beneficial interest in the Ordinary Shares held through the Depositary Interest facility and voting rights, dividends or any other rights relating to those Ordinary Shares will be passed on by the Depositary (or its nominee) in accordance with the terms of the Depositary Deed. The Depositary Interests can then be traded and settlement can be effected within the CREST system in the same way as any other CREST security.

The Enlarged Share Capital will remain listed and traded on ASX, with trades settled electronically on the Australian registry through the CHESS system.

The Depositary Interests will be created pursuant to and issued on the terms of the Depositary Deed. Details of the Depositary Deed are set out in paragraph 10.8 of Part 4 of this document.

The Depositary Interests will have the same ISIN as the underlying Ordinary Shares and will not require a separate application for admission to trading on AIM.

Details of the Depositary Agreement are set out in paragraph 10.7 of Part 4 of this document. The Directors have applied for the Ordinary Shares, in the form of Depositary Interests, to be admitted to CREST, with effect from Admission, and CREST has agreed to such admission. Accordingly, settlement of transactions in the Ordinary Shares, in the form of Depositary Interests, following Admission may take place within the CREST system if relevant Shareholders so wish. CREST is a voluntary system and Shareholders who wish to receive and retain share certificates in respect of Ordinary Shares will still be able to do so.

Application will be made to the London Stock Exchange for the Enlarged Share Capital to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings will commence on 30 November 2015.

For further information concerning CREST, Shareholders should contact their brokers or Euroclear at 33 Cannon Street, London EC4M 5SS or by telephone on +44 (0)20 7849 0000.

## **17. ANNUAL GENERAL MEETING**

Investors should note that the Company has convened an AGM to be held at 10 a.m AEST on 27 October 2015. The notice convening the AGM can be obtained from the Company's website.

Under resolution 8, the Directors are seeking authorisation to allot and issue the Placing Shares on a non-pre-emptive basis. The authority is in addition to the Directors seeking authorisation under resolution 4 to allot and issue up to 10 per cent. of the issued share capital of the Company (at the time of the issue). The Company is also seeking authority to allot additional new Ordinary Shares if additional funds (of up to £300,000) are raised prior to Admission.

The Company also intends to pass a resolution to change the Company's Constitution to ensure that the Company can comply, as far as possible, with Rule 17 of the AIM Rules for Companies on disclosure of Shareholders' holdings. The proposed amendment will require that all Shareholders holding (directly or indirectly), 3 per cent. or more in the Company must notify the Company without delay of any changes to their holding which increase or decrease such holding through any single percentage. Under the Australian Corporations Act, a shareholder is only required to notify the Company when it or they hold 5 per cent. or more in the Company's share capital. Further details on the Company's Constitution, proposed to be amended, are set out in paragraph 4.22 of Part 4 of this document.

## **18. SHARE INCENTIVE ARRANGEMENTS**

The Board considers that it is important that employees of the Group, including executive directors, are appropriately and properly motivated and rewarded, with the success of the Group dependent, to a significant degree, on the future performance of the executive management team.

Tlou has previously granted Options to certain directors, employees and key consultants of the Group. The Options will not be cancelled following Admission. As at 26 October 2015, being the latest practicable date before the publication of this document, the Company had 10,575,000 Options outstanding.

The Board also plans to establish further share incentive arrangements in the short-term for the benefit of the Group's directors, employees and contractors. Any securities to be granted under any such share incentive arrangements will be at the discretion of the Board's Nomination and Remuneration Committee.

Further details of the Options are set out in paragraph 11 of Part 4 of this document.

## **19. TAXATION**

The attention of investors is drawn to certain information regarding UK and Australian taxation insofar as it may be applicable to UK and Australian tax residents in relation to the Admission, set out in paragraph 15 of Part 4 of this document.

All information in this document in relation to taxation is intended only as a general guide to the current tax position for UK and Australian resident investors as at the date of this document and is not intended

to constitute personal tax advice for any person. Prospective investors are strongly advised to consult their own independent professional tax advisers regarding the tax consequences of purchasing and owning Ordinary Shares. No information is being provided as to any taxation matters outside the UK or Australia.

## **20. FURTHER INFORMATION**

Your attention is also drawn to further information about the Group set out elsewhere in this document including:

- Part 2 of this document, relating to risk factors;
- Part 3 of this document, containing summary financial information on the Group; and
- Part 4 of this document, summarising certain statutory and general information on the Company and the Group.

## PART 2

### RISK FACTORS

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

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

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

It should be noted that the factors listed in this Part 2 are not intended to be exhaustive and do not necessarily comprise all of the risks to which the Group is, or may be, exposed or all those associated with an investment in the Company. It should be noted that additional risks and uncertainties not presently known to the Directors, or which they currently consider to be immaterial, may also have an adverse effect on the Group's operating results, financial condition and prospects.

If any of the risks referred to in this Part 2 were to crystallise, the Group's business, financial condition, results or future operations could be materially adversely affected. In such case, the price of the Ordinary Shares could decline and investors may lose all or part of their investment.

#### 1. RISKS RELATING TO THE GROUP'S BUSINESS AND INDUSTRY

##### General risks relating to the Group and to the hydrocarbon exploration industry

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

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

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

##### Tenure risk

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

Exploration licences are granted for an initial period of up to three years, and may be renewed up to two times for a period of two years per renewal. Additional "special" renewals are required thereafter. The

Lesedi Licences have had three renewals and would require “special” renewals on the expiry on either 30 September 2016 or 31 March 2017 (as applicable) if a mining licence has not been granted beforehand. The Company is unable to guarantee that the licences will be renewed.

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

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

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

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

### **Exploration and Development**

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

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

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

### **Costs of abandonment**

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

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

### **Resources**

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

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

### **Commercialisation, Transportation Delays, Infrastructure**

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

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

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

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

Tlou's ability to sell and market any CBM produced will be negatively impacted should it be unable to secure adequate transportation and processing. Access will depend on the proximity and capacity of pipelines and processing facilities. Further Tlou may be required to develop its own pipeline infrastructure or secure access to third party pipeline infrastructure in order to deliver CBM to key markets or customers. The development of its own pipeline infrastructure will be subject to Tlou obtaining relevant approvals including pipeline licences. Access to third party infrastructure cannot be guaranteed given that the pipelines may not be developed with an open access regime.

### **Technology**

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

### **Further Funding Requirements**

The development of the Group's existing operations will require the commitment of substantial resources for operating expenses and capital expenditure, which may increase in subsequent years as the Group adds, as needed, consultants, personnel and equipment associated with advancing the exploration, development and commercial production of its projects. Specifically, the Group will need to secure

additional capital following the grant of a mining licence in order to fund the required gas field development under offtake agreements that the Company intends to negotiate during 2016.

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

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

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

### **Operational risk**

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

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

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

### **Availability of drilling equipment and personnel**

Tlou's CBM exploration and development activities are dependent on the availability of drilling rigs and related equipment and appropriately qualified and experienced personnel in the area of its exploration licences. There are a very limited number of equipment suppliers in Botswana and if Tlou is unable to secure such equipment or personnel locally or to import it, or is unable to secure it on acceptable terms, this may have a material adverse effect on the financial position and prospects of the Company.

### **Reliance on Key Personnel**

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

In particular, Nathan Mitchell (Non-Executive Chairman), Anthony Gilby (Managing Director and CEO) and Gabaake Gabaake (Executive Director) have significant know-how of working in and relationships with third parties in southern Africa. In addition, these persons (other than Mr Gabaake) are substantial holders of Ordinary Shares (including through controlled entities). The loss of any of such persons could result in relationships with key stakeholders in the countries in which Tlou operates being lost or diminished. This may have an adverse impact on the prospects of the Company.

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

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

### **Competition**

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

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

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

### **Occupants and owners of land**

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

### **Volatility of the market price for gas**

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

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

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

### **Royalties and Taxes**

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

In the event Tlou moves into CBM production in connection with the Lesedi Licences (which is considered key to Tlou's operations), pursuant to the Farm-In Agreement, Sekaname, Sable Energy's farm-in partner is also be entitled to a payment of the greater of South African Rand 2.0/Mcf produced at the wellhead,

or 12.5 per cent. of the wellhead selling price, and Kalahari, Sable Energy's other farm-in partner, may also be entitled to develop and exploit any excess reserves. Wellhead selling price is based on actual proceeds received by Tlou less actual costs incurred to transport the gas and to gather, compress, treat and process the gas (or where such facilities are owned by Tlou, fees ordinarily payable for these services). If Tlou's farm-in partners become entitled to such payments, it could adversely affect Tlou's financial position, performance and prospects.

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

### **Insurance**

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

### **Regulatory and Litigation Risk**

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

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

### **Labour Relations Risk**

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

### **Environment and Government Approvals**

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

## **2. RISKS RELATING TO THE COUNTRIES IN WHICH THE GROUP OPERATES**

### **Country, geopolitical and sovereign risk**

The Company is currently involved in CBM operations in Botswana and may explore CBM opportunities in other southern Africa countries in the future. Whilst Botswana is a relatively stable democratic system and diversifying economy, with a low corruption index (in the context of Africa), according to the Corruption Perceptions Index published by Transparency International, and civil unrest and disorder are rare, the Group may be adversely affected by changes in economic, political, judicial, administrative,

taxation or other regulatory factors. There can be no assurance that the political environment in these jurisdictions will continue to be stable now or in the future and this could have an adverse impact on the Group's operations and assets.

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

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

#### **Legal risks**

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

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

### **3. RISKS RELATING TO THE ORDINARY SHARES**

#### **An investment in an AIM quoted company may entail a higher degree of risk and lower liquidity than a company listed on the Official List or on the main board of other leading exchanges**

AIM is a market designed primarily for emerging or smaller growing companies which carry a higher than normal financial risk and tend to experience lower levels of liquidity than larger companies. Accordingly, AIM may not provide the liquidity normally associated with the Official List or some other leading stock exchanges. The Ordinary Shares may, therefore, be difficult to sell compared to the shares of companies listed on the Official List and the share price may be subject to greater fluctuations than might be the case for a similar company listed on the Official List. An investment in shares traded on AIM carries a higher risk than those listed on the Official List.

#### **The Ordinary Shares may not be suitable as an investment for all recipients of this document**

The Company is principally aiming to achieve long term profitability and may not generate profits in the short or medium term; accordingly, the Ordinary Shares may not be suitable as a short-term investment. The Company's share price may be subject to large fluctuation on small volumes of shares traded and, the Ordinary Shares may be difficult to sell at the quoted market price. Prospective investors should be aware that the value of an investment in the Company may go down as well as up and that the market price of the Ordinary Shares may not reflect the underlying value of the Company.

An investment in the Company is highly speculative, involves a considerable degree of risk and is suitable only for persons or entities which have substantial financial means and who can afford to hold their ownership interests for an indefinite amount of time and are able to suffer the complete loss of their investment.

#### **Potential investors in the Ordinary Shares may lose part or all of the value of their investment**

There can be no guarantee that the value of an investment in the Company will increase. Investors may, therefore, realise less than, or lose all of, their original investment.

The price at which the Ordinary Shares are traded on Admission may or may not relate to the latest price at which the Ordinary Shares are traded on the ASX and may not be indicative of prices that will continue to prevail in the trading market. Prospective investors may not be able to resell their Ordinary Shares at a price that is attractive to them or that is higher than the price they paid for them.

There is no guarantee that the historical level of trading in the Ordinary Shares on the ASX will continue or increase and the historic level of trading and share price performance should not be used to imply any future level of trading or share price performance post Admission.

**The market price of the Ordinary Shares may fluctuate widely**

The share prices of publicly quoted companies can be highly volatile. The price at which the Ordinary Shares are quoted and the price which investors may realise for their Ordinary Shares may be influenced by a large number of factors, some of which are general or market specific, others which are sector specific and others which are specific to the Group and its operations.

These factors include, without limitation, the performance of the Company and the overall stock market, large purchases or sales of Ordinary Shares by other investors, changes in legislation or regulations and changes in general economic, political or regulatory conditions and other factors which are outside of the control of the Company. The market price of the Ordinary Shares could be subject to fluctuations in response to variations in the Group's results of operations, changes in general economic conditions, changes in accounting principles or other developments affecting the Group, its customers or its competitors, changes in financial estimates by securities analysts, the operating and share price performance of other companies, press and other speculation and other events or factors, many of which are beyond the Group's control. Volatility in the price of the Ordinary Shares may be unrelated or disproportionate to the Group's operating results.

**The ability of overseas Shareholders to bring actions or enforce judgements against the Company or the Directors may be limited**

The ability of an overseas Shareholder to bring an action against the Company may be limited under law. The Company is a public limited company incorporated in Australia. The rights of holders of Ordinary Shares are governed by Australian law and by the Company's Constitution. These rights differ from the rights of Shareholders in typical UK companies and some other non-UK corporations. An overseas Shareholder may not be able to enforce a judgment against some or all of the Directors and executive officers. Consequently, it may not be possible for an overseas Shareholder to effect service of process upon the Company, Directors and executive officers within the overseas Shareholder's country of residence, nor can there be any assurance that an overseas Shareholder will be able to enforce any judgments in civil and commercial matters or any judgments under the securities laws of countries in which they reside against the Company, Directors or executive officers.

**Exchange rate fluctuations between Pounds Sterling and other currencies will affect the equivalent value of the Ordinary Shares in currencies other than Pounds Sterling**

The Ordinary Shares to be admitted to trading on AIM will be denominated in British Pounds whereas they will continue to be traded on the ASX in Australian Dollars. Fluctuations in the exchange rate between Australian Dollars and other currencies, including the Pound, will affect the value of the Ordinary Shares and any dividends the Company may declare in the future, denominated in the local currency of investors outside of Australia.

Further, any future fundraising may be undertaken in Australian dollars or British Pounds and there is, therefore, a potential foreign currency risk on transferring any proceeds into the functional currency required for the Group's activities which is predominantly US Dollars.

**The Company may be unable to pay dividends**

No cash or other dividends have ever been declared or paid on the Ordinary Shares, and the Company does not intend to do so in the near future. Accordingly, prospective investors should not rely on receiving dividend income from the Ordinary Shares. For the foreseeable future, any return on a prospective investor's investment in the Ordinary Shares is likely to depend entirely on their appreciation in value, which cannot be assured.

The declaration, timing and payment of dividends in future periods, if any, will be completely within the discretion of the Board. Any future dividends will also depend on the Group's future financial performance, which, in turn, depends on the success of its production efforts, on the implementation of its growth strategy, on general economic conditions and on competitive, regulatory, technical, environmental and other factors, many of which are beyond the Group's control. Additionally, because the Company is a holding company, its ability to pay dividends on the Ordinary Shares is limited by restrictions on the ability of its subsidiaries to pay dividends or make distributions to the Company.

**Future sales, or the anticipation of future sales, of a substantial number of the Ordinary Shares may depress the price of the Ordinary Shares**

Future sales of the Ordinary Shares, or the perception that such sales will occur, could cause a decline in the market price of the Ordinary Shares. On Admission, the Company will have 205,619,292 Ordinary

Shares, including 34,854,246 Ordinary Shares owned by the Directors (being, 16.95 per cent. of the Enlarged Share Capital).

In connection with the Admission, the Directors have agreed not to dispose of any of their interests in the Company for a period of 12 months from Admission, except in limited circumstances as permitted by the AIM Rules for Companies. Further details of the Lock-In Arrangements are set out in paragraph 15 of Part 1 and paragraph 10.5 of Part 4 of this document.

Further issues of Ordinary Shares could be made by the Company, for example, through a capital increase to fund an acquisition or for another purpose. The issue of a substantial number of Ordinary Shares, or the perception that such issues could occur, could materially and adversely affect the market price of the Ordinary Shares and could also restrict the ability of the Company to raise capital through the issue of equity securities in the future.

#### **Existing and prospective investors may suffer further dilution in the value of the Ordinary Shares**

The Company may need to raise capital in the future through equity financings. If the Company raises significant amounts of capital, by these or other means, it could cause dilution for existing Shareholders at that time.

#### **Shareholders may be unable to participate in future equity issues by the Company, which could lead to an automatic dilution of their ownership stake in the Company**

In common with many AIM companies, the Company may choose to raise future funds through placing shares to investors who are not Shareholders. Any such placing could dilute the interests of existing investors. If the Company offers to Shareholders rights to subscribe for additional Ordinary Shares or any right of any other nature, the Company will have discretion as to the procedure to be followed in making the rights available to Shareholders or in disposing of the rights for the benefit of Shareholders and making the net proceeds available to Shareholders. The Company may choose not to offer the rights to Shareholders in certain jurisdictions, in particular where it is not legal to do so. The Company may also not extend any future rights offerings or equity issues to jurisdictions where it would be difficult or unduly onerous to comply with the applicable securities laws.

#### **The Company is not subject to the UK Takeover Code**

As an ASX listed company, any potential takeover of the Company would be subject to the takeover provision of chapter 6 of the Australian Corporations Act. However, the Company is not subject to the UK Takeover Code. Whilst the regime governing takeovers under the Australian Corporations Act provides certain safeguards to Shareholders, Shareholders will not receive the full protection that the UK Takeover Code affords including the supervision and scrutiny of the UK Panel on Takeovers and Mergers. Further details of the key terms of the takeover provisions which apply to the Company are set out in paragraph 14 of Part 1 of this document.

#### **Litigation may be brought against the Group in the future**

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

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

Persons holding shares in the form of Depositary Interests may not be able to exercise voting rights. Under the Constitution, only those persons who are Shareholders of record are entitled to exercise voting rights. Persons who hold Ordinary Shares in the form of Depositary Interests will not be considered to be record holders of Ordinary Shares that are on deposit with the Depositary and, accordingly, will not be able to exercise voting rights. However, the Depositary Deed provides that the Depositary shall pass on, as far as it is reasonably able, rights and entitlements to vote. In order to direct the delivery of votes, holders of

Depositary Interests must deliver instructions to the Depositary by the specified date. Neither the Company nor the Depositary can guarantee that holders of Depositary Interests will receive the notice in time to instruct the Depositary as to the delivery of votes in respect of Ordinary Shares represented by Depositary Interests and it is possible that they will not have the opportunity to direct the delivery of votes in respect of such Ordinary Shares.

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

Further details of the Depositary Agreement and Depositary Deed are set out in paragraphs 10.7 and 10.8 of Part 4 of this document respectively.

#### **Liquidity and Arbitrage between ASX and AIM**

Whilst the Directors consider that Admission will increase the liquidity of the Company's share capital, this outcome cannot be guaranteed. In addition, there can be no guarantee that the Ordinary Shares will trade at the same price on both ASX and AIM due to different investor sentiments, liquidity levels, transaction costs, taxation rates, regulations or foreign exchange rates, particularly between Australia and the UK, the countries which host ASX and AIM respectively. Additionally, ASX and AIM operate in different time zones and, for instance, news flow from external sources such as regulatory regime changes which affect the Company may be acted upon earlier by an investor on one market ahead of the other.

The Directors have engaged brokers in both Australia and the UK to manage the migration of shares between the registers kept in Australia and the UK, but there can be no guarantee that this arrangement will eliminate all arbitrage opportunities between the shares traded on ASX and AIM or that such procedures will be effective.

#### **Purchase of unmarketable parcels**

The Company's Constitution and the ASX Rules, permit the Company to offer to sell the Ordinary Shares on behalf of any Shareholder (or connected Shareholders) whose shares are worth less than A\$500 (an unmarketable parcel). The Company is required to notify such Shareholders and give them at least six weeks' notice and such Shareholders may decline the offer made by the Company. Shareholders who do not respond to any notice would have their Ordinary Shares sold on their behalf and would not be able to benefit from any potential upside in the share price thereafter.

## PART 3

### SUMMARY FINANCIAL INFORMATION ON THE GROUP

The following summary financial information of the Group has been extracted from the audited consolidated financial statements of the Group for the years ended 30 June 2013, 2014 and 2015, which are available on the Company's website. The summary financial information of the Group should be read in conjunction with the remainder of this document. The audited consolidated financial statements of the Group have been prepared and presented in accordance with Australian Accounting Standards and comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Boards (IASB).

#### STATEMENT OF COMPREHENSIVE INCOME

	Year ended 30 June		
	2013 AS	2014 AS	2015 AS
<b>Revenue</b>	74,532	193,861	114,133
Other income	65,477	200	–
<b>Expenses</b>			
Employee benefits expenses	(1,104,890)	(999,567)	(1,290,766)
Depreciation and amortisation	(233,978)	(307,209)	(304,746)
Impairment – exploration and evaluation assets	–	(2,946,127)	–
Foreign exchange (loss)/gain	(387,278)	(26,737)	120,835
Share options expense	(1,927,009)	(48,640)	–
Professional fees	(1,035,380)	(239,161)	(205,861)
Corporate expenses	(1,032)	(9,572)	(55,732)
Occupancy costs	(226,585)	(182,757)	(169,256)
Other expenses	(1,310,931)	(840,262)	(939,507)
<b>Loss before income tax</b>	(6,087,074)	(5,405,971)	(2,730,900)
Income tax credit	–	3,116,605	–
<b>Loss for the period</b>	(6,087,074)	(2,289,366)	(2,730,900)
<b>Other comprehensive income</b>			
Exchange differences on translation of foreign operations	495,814	(1,767,181)	2,139,374
Tax effect	–	–	–
<b>Total other comprehensive income</b>	495,814	(1,767,181)	2,139,374
<b>Total comprehensive income/(loss)</b>	(5,591,260)	(4,056,547)	(591,526)
<b>Loss for the year attributable to:</b>			
Owners of Tlou Energy Limited	(6,878,103)	(2,286,368)	(2,730,900)
Non-controlling interests	791,029	(2,998)	–
	(6,087,074)	(2,289,366)	(2,730,900)
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Company	(6,394,082)	(4,051,644)	(591,526)
Non-controlling interests	802,822	(4,903)	–
	(5,591,260)	(4,056,547)	(591,526)

## BALANCE SHEET

	Year ended 30 June		
	2013	2014	2015
	AS	AS	AS
<b>Assets</b>			
<i>Current assets</i>			
Cash and cash equivalents	7,460,746	9,123,260	7,197,813
Trade and other receivables	197,422	93,944	221,944
Other Assets	712,351	722,013	1,592,308
Total current assets	<u>8,370,519</u>	<u>9,939,217</u>	<u>9,012,065</u>
<i>Non-current assets</i>			
Exploration assets	33,528,392	37,344,231	43,559,315
Property, plant and equipment	775,248	443,724	724,334
Total non-current assets	<u>34,303,640</u>	<u>37,787,955</u>	<u>44,283,649</u>
<b>Total assets</b>	<u>42,674,159</u>	<u>47,727,172</u>	<u>53,295,714</u>
<b>Liabilities</b>			
<i>Current liabilities</i>			
Trade and other payables	669,356	299,473	1,321,234
Provisions	284,066	233,520	274,094
Total current liabilities	<u>953,422</u>	<u>532,993</u>	<u>1,595,328</u>
<i>Non-current liabilities</i>			
Deferred tax liabilities	3,485,958	369,353	369,353
Provisions	43,561	66,000	90,000
Total non-current liabilities	<u>3,529,519</u>	<u>435,353</u>	<u>459,343</u>
<b>Total liabilities</b>	<u>4,482,941</u>	<u>968,346</u>	<u>2,054,681</u>
<b>Net assets</b>	<u>38,191,218</u>	<u>46,758,826</u>	<u>51,241,033</u>
<b>Equity</b>			
Contributed equity	53,957,271	66,532,786	71,606,519
Reserves	1,851,998	(357,072)	(380,244)
Accumulated losses	(17,622,954)	(19,416,888)	(19,985,242)
Equity attributable to the owners of			
Tlou Energy Limited	38,186,315	46,758,826	51,241,033
Non-controlling interests	4,903	–	–
<b>Total Equity</b>	<u>38,191,218</u>	<u>46,758,826</u>	<u>51,241,033</u>

## STATEMENT OF CASH FLOWS

	Year ended 30 June		
	2013	2014	2015
	AS	AS	AS
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)	–	–	–
Payments to suppliers and employees (inclusive of GST)	(4,211,042)	(3,425,705)	(2,377,461)
Interest received	74,532	182,461	114,133
GST and VAT received	234,259	976,182	392,645
<b>Net cash used in operating activities</b>	<u>(3,902,251)</u>	<u>(2,267,062)</u>	<u>(1,870,683)</u>
<b>Cash flows from investing activities</b>			
Payments for exploration and evaluation assets	(2,292,295)	(8,670,411)	(4,529,184)
Payments for property, plant and equipment	(522,004)	(3,480)	(531,520)
<b>Net cash used in investing activities</b>	<u>(2,814,299)</u>	<u>(8,673,891)</u>	<u>(5,060,704)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares	12,009,466	13,425,327	5,516,206
Share issue costs	(1,018,541)	(849,812)	(377,563)
<b>Net cash provided by financing activities</b>	<u>10,990,925</u>	<u>12,575,515</u>	<u>5,138,643</u>
Net increase/(decrease) in cash held	4,274,375	1,634,562	(1,792,744)
Cash at the beginning of the period	3,157,485	7,460,746	9,123,260
Effects of exchange rate changes on cash	28,886	27,952	(132,703)
<b>Cash at the end of the period</b>	<u>7,460,746</u>	<u>9,123,260</u>	<u>7,197,813</u>

## PART 4

### ADDITIONAL INFORMATION

#### 1. INCORPORATION AND REGISTRATION

- 1.1 The Company, whose registered office and principal place of business is 210 Alice Street, Brisbane, Queensland 4000, Australia was incorporated and registered (and remains domiciled) in Queensland, Australia under the Australian Corporations Act on 23 April 2009 as a proprietary company limited by shares, with Australian business number ABN 79 136 739 967. On 16 March 2010, the Company changed its status to a public company limited by shares.
- 1.2 The telephone number of the Company's principal place of business is +61 7 3012 9793. As at Admission, the address of the Company's corporate website on which the information required by Rule 26 of the AIM Rules for Companies can be found is [www.tlouenergy.com](http://www.tlouenergy.com).
- 1.3 The Company has no administrative, management or supervisory bodies other than the Board, the Audit Committee, the Risk Committee and the Nomination and Remuneration Committee, further details of which are set out in paragraphs 8 and 9 of Part 1 of this document.
- 1.4 The Company is governed by the Constitution and the principal legislation under which the Company operates is the Australian Corporations Act (where applicable) and the regulations made thereunder.
- 1.5 The Company's auditor, which has audited the financial statements of the Company for each of the years ended 30 June 2013, 2014 and 2015, is BDO Audit Pty Ltd, of Level 10, 12 Creek Street Brisbane, Brisbane, Queensland 4001, Australia.
- 1.6 The accounting reference date of the Company is 30 June.

#### 2. GROUP ORGANISATION

- 2.1 The Company is the holding company of the Group.
- 2.2 The Group comprises the following undertakings, all of which are, directly or indirectly, held by the Company:

Name	Country of incorporation	Principal place of business	Proportion of ownership interest (%)	Proportion of voting power held (%)
<b>Held directly</b>				
Technoleads International Inc	Barbados	Barbados	100	100
Sable Energy Holdings Barbados Inc	Barbados	Barbados	100	100
Mica Investments	Barbados	Barbados	100	100
Copia Resources Inc	Barbados	Barbados	100	100
SK Holdings (Barbados) Inc	Barbados	Barbados	100	100
Apex Resources Number 2 Inc	Barbados	Barbados	100	100
Madra Holdings (Barbados) Inc	Barbados	Barbados	100	100
Tembo Holdings Inc	BVI	BVI	100	100
Agua Energy Limitada <sup>(1)</sup>	Mozambique	Mozambique	100	100
Tlou Energy Botswana Pty Ltd	Botswana	Botswana	100	100
<b>Held indirectly</b>				
Tlou Energy Exploration Pty Ltd	Botswana	Botswana	100	100
Tlou Energy Resources Pty Ltd <sup>(2)</sup>	Botswana	Botswana	100	100
Tlou Energy Corporate Services Botswana Pty Ltd	Botswana	Botswana	100	100
Tlou South Karoo (Proprietary) Ltd	Botswana	Botswana	100	100
Tlou Energy Solutions (Proprietary) Ltd	Botswana	Botswana	100	100
Apex Resource Holdings Number 2 Corp	BVI	BVI	100	100

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

(2) Tlou, through its wholly-owned subsidiary, Sable Energy, owns 100 per cent. of the issued shares of Tlou Resources, which holds the Lesedi Licences, but 10 per cent. of that holding is held subject to the Farm-In Agreement and the full benefit of that 10 per cent. is only released to Sable Energy upon Tlou Resources being granted a mining licence in respect of a Lesedi Licence. Further details of the Farm-In Agreement are set out in paragraph 10.11 of Part 4 of this document.

### **3. SHARE CAPITAL OF THE COMPANY**

- 3.1 During the period of the historical financial information, there have been the following changes in the issued share capital of the Company:
- 3.1.1 on 31 January 2013, 10,047,332 Ordinary Shares were issued pursuant to a non renounceable rights issue, at a price of A\$0.20;
  - 3.1.2 on 31 January 2013, 2,625,106 Ordinary Shares were issued at a price of A\$0.30;
  - 3.1.3 on 9 April 2013, 20,000,000 Ordinary Shares were issued pursuant to a placing at a price of A\$0.50;
  - 3.1.4 on 27 December 2013, 44,751,088 Ordinary Shares were issued pursuant to a placing and non renounceable rights issue at a price of A\$0.30;
  - 3.1.5 on 29 June 2015, 39,401,473 Ordinary Shares were issued pursuant to a non renounceable rights issue at a price of A\$0.14.
- 3.2 Subject to the passing of the Resolutions proposed at the AGM, the Directors will be authorised to allot and issue the Placing Shares.
- 3.3 The issued fully paid up share capital of the Company as at the date of this document is 187,156,319 Ordinary Shares.
- 3.4 The issued and fully paid up share capital of the Company following the Placing and Admission will be 205,619,292 Ordinary Shares, diluting existing Shareholders by 8.98 per cent. (assuming the Placing Shares are issued and allotted).
- 3.5 Save as disclosed in paragraphs 10.6 and 11 of this Part 4:
- 3.5.1 no share or loan capital in the Company or any other member of the Group is under option or is the subject of an agreement, conditional or unconditional, to be put under option;
  - 3.5.2 no person has any preferential or subscription rights for any share capital of the Company;
  - 3.5.3 the Company does not hold any of its own Ordinary Shares and none of the Company's subsidiaries hold any of the Ordinary Shares;
  - 3.5.4 the Company has no convertible securities, exchangeable securities or securities with warrants in issue; and
  - 3.5.5 there are no acquisition rights or obligations over the share capital of the Company and there is no undertaking to increase the share capital of the Company.
- 3.6 The Ordinary Shares have been created under the Australian Corporations Act and their currency is Australian Dollars. The Ordinary Shares have no par value and the Company does not have a limited amount of authorised share capital. They will be traded in Pounds Sterling on AIM.
- 3.7 The Ordinary Shares are in registered form and may be held either in certificated form or in uncertificated form (in the form of Depositary Interests) through CREST. The Ordinary Shares may not be held directly through CREST and may only be held through CREST in the form of Depositary Interests.
- 3.8 No shares of the Company are currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived. There are no pre-emption rights, redemption provisions or conversion provisions attaching to the Ordinary Shares, and all issued Ordinary Shares in the Company rank equally and enjoy equal voting rights.
- 3.9 The Company does not have in issue any shares not representing capital.
- 3.10 There are no issued Ordinary Shares which are not fully paid.
- 3.11 Other than ASX, the Existing Ordinary Shares have not been admitted to dealing on any recognised investment exchange or other trading facility, nor has any application for such admission been made and it is not intended to make any arrangements for dealings in the Ordinary Shares on any such exchange other than the application to be made in connection with Admission.

#### 4. SUMMARY OF THE CONSTITUTION

This summary is neither exhaustive nor does it constitute a definitive statement of the rights and liabilities of Shareholders as the case may be. A full copy of the Constitution is available on the Company's website.

- 4.1 **Objects** The Constitution does not specify any restrictions on the objects of the Company. Under the Corporations Act, the objects of the Company are unrestricted.
- 4.2 **Shares** Subject to any rights and restrictions attached to a class of Shares or other securities, the Company may by resolution of the Board issue Ordinary Shares, options to acquire Ordinary Shares, and other securities with rights of conversion to Ordinary Shares on any terms, to any person, at any time and for any consideration, as the Board resolves. The Constitution permits the issue of preference shares on terms determined by the Board.
- 4.3 **Alteration of rights** The Company may vary or cancel rights attached to Ordinary Shares in that class: with the consent in writing of members with at least 75 per cent. of the votes that may be cast in respect of Ordinary Shares in that class; or by a special resolution passed at a meeting of the Shareholders holding Shares in that class.
- 4.4 **Calls** The Board may from time to time call upon Shareholders for unpaid monies on their Ordinary Shares for any amount unpaid on that Ordinary Share which is not by the terms of issue of that Share made payable at fixed times, on any terms and at any times as the Board resolves. If such a call is made, Shareholders are liable to pay the amount of each call in the manner and at the time and place specified by the Board.

Such calls may be payable by instalments, as determined by the Board. Subject to the ASX Listing Rules, the Company may by resolution of the Board revoke or postpone a call or extend the time for payment of a call, at any time prior to the date on which payment of that call is due. A call is made at the time of or as specified in the resolution of the Board authorising the call. If an amount called or otherwise payable to the Company in respect of an Ordinary Share is not paid by the time for payment, the person who owes the amount must pay the Company interest and all costs and expenses incurred due to the failure to pay.

- 4.5 **Forfeiture and lien** The Company may by a resolution of the Board forfeit Ordinary Shares of a Shareholder if that Shareholder does not pay a call or other amount payable in respect of that Share on or before the date for its payment and such amount remains unpaid following any notice sent to a Shareholder. Such forfeiture must occur in accordance with the Constitution, and the Australian Corporations Act.

Unless the terms of issue of an Ordinary Share provide otherwise, the Company has a first ranking lien on an Ordinary Share for unpaid calls, unpaid loans made by the Company to acquire that Ordinary Share under an employee incentive scheme, any amount it is legally required to pay in relation to a Shareholder's Ordinary Shares and all related interest and expenses (to the extent permitted under the ASX Listing Rules). The lien extends to the proceeds of sale of that Ordinary Share and all dividends and entitlements declared in respect of that Ordinary Share. If the Company registers a transfer of any Ordinary Shares subject to such a lien without giving the transferee notice of the lien, the Shares are freed and discharged from the Company's lien.

- 4.6 **Share transfers** Ordinary Shares may be transferred in any manner required or permitted and approved by the Board and by any instrument in writing in any usual form or in any other form approved by the Board that is otherwise permitted by law. The Board may only refuse to register a transfer of securities of the Company as legally permitted.
- 4.7 **Shareholders' meetings** Each Shareholder and the Directors are entitled to receive notice of and attend any meeting of the Shareholders. Five Shareholders must be present to constitute a quorum for a Shareholders' meeting. No business may be transacted at any meeting of Shareholders (except the election of a Chairman and an adjournment) unless the quorum required is present at time when the meeting commences. The Company is obliged to convene and hold an annual general meeting in accordance with the Australian Corporations Act.
- 4.8 **Chairperson** The chairperson of the Board must chair each meeting of Shareholders. If the chairperson is not present at a Shareholders' meeting, the Directors will elect one of the Directors (or if none of the Directors are present and willing to act, the Shareholders may elect one of the Shareholders) to chair the meeting.

- 4.9 **Voting** Subject to restrictions on voting from time to time affecting any class of shares in the Company, and any legal restrictions, the Ordinary Shares carry the right to cast one vote on a show of hands and, on a poll, one vote for each fully paid share held, and for each partly paid share held, a vote having the same proportionate value as the proportion to which the Shares have been paid up. Voting may be in person or by proxy, attorney or representative.
- 4.10 **Demanding a poll** A poll on a resolution at a meeting of Shareholders may be demanded by a Shareholder only in accordance with the Australian Corporations Act or by the chairperson of that meeting.
- 4.11 **Directors** There must be a minimum of three Directors and a maximum number of nine Directors (not including alternate Directors), which the Board may from time to time determine, but it may not reduce the number below the number of Directors in office at the time of the determination. The Company may at a meeting of Shareholders at which a Director retires or otherwise vacates office, by resolution fill the vacated office by electing a person to that office. A Director must retire from office no later than the later of the third annual general meeting or three years, after the date that he or she was last elected or re-elected. The Board may appoint any person as a Director, however, if it does so the Director appointed must retire and is eligible for re-election at the next annual general meeting. A Director need not be a Shareholder.
- 4.12 **Power of Directors** The Board has the power to manage the business of the Company and may exercise to the exclusion of the Company in general meeting all powers of the Company.
- 4.13 **Remuneration of Directors** The remuneration of Non-Executive Directors is determined by the Board and must not in any financial year exceed in aggregate the amount last determined by the Company in a general meeting. The Board may determine the amount of remuneration to be paid to each Executive Director. The Company must not pay remuneration to Directors that is calculated as a commission on or percentage of operating revenue, or in the case of Non-Executive Directors, profits. In addition to director's fees, Directors are entitled to be receive additional remuneration for extra or special services provided, as resolved by the Board.
- 4.14 **Interests of Directors** A Director is disallowed from being present or voting on any matter in which he or she has a material personal interest, except where permitted by the Australian Corporations Act.
- 4.15 **Indemnities for Directors** The Company must indemnify current and past Directors and secretaries of the Company against any liability and legal costs incurred by them by virtue of their holding office as, and acting in the capacity of, director or secretary to the extent permitted by law.
- 4.16 **Insurance for Directors** The Company may also pay insurance premiums insuring current and past Directors and secretaries of the Company against any liability and legal costs incurred by them by virtue of their holding office as, and acting in the capacity of, director or secretary to the extent permitted by law.
- 4.17 **Dividends** Subject to the Australian Corporations Act, the Constitution and the rights or restrictions attached to a class of Ordinary Shares, the Board may determine that a dividend is payable on Ordinary Shares. If the Board determines that a dividend is payable to a class of shares, it will be paid on all shares of that class proportionate to the total amount for the time being paid on each Ordinary Share. Such dividend payment is subject to the rights and restrictions on the holders of Ordinary Shares created or raised under any special dividend arrangements. The Company is not required to pay any interest on a dividend.
- 4.18 **Dividend plans** The Board may establish and maintain a bonus share plan or a dividend reinvestment plan, which Shareholders may elect to take up, in respect of some or all their shares subject to the rules of the plan.
- 4.19 **Capitalisation of profits** Subject to the Australian Corporation Acts and the rights or restrictions attached to a class of Ordinary Shares, the Board has the power to capitalise any amount, being the whole or part of profits of the Company or the amount otherwise available for distribution to Shareholders. Such capitalisation must be in the same proportions, which the Shareholders would be entitled to receive if distributed by way of dividend or in accordance with the terms of issue of any Shares or terms of any plan for the issue of securities for the benefit of officers or employees of the Company.
- 4.20 **Winding up** Subject to any rights or restrictions attached to a class of Ordinary Shares, on a winding up of the Company, any surplus assets of the Company remaining after the payment of its debts

must be divided among the Shareholders in the proportions which the amount paid (including amounts credited) on the Ordinary Shares of a Shareholder is of the total issue price of the Ordinary Shares of all Shareholders.

- 4.21 **Sale of small holdings** The Company may give notice to Shareholders holding unmarketable parcels of shares (Small Holders) once a year stating that their Ordinary Shares are liable to be sold by the Company and requiring them to elect if they wish some or all of those Ordinary Shares not to be sold. The notice must set a period of at least 42 days (or lesser period permitted by the Australian Corporations Act) within which Small Holders may notify the Company that they wish to retain their Ordinary Shares. If the Company does not receive any notification from Small Holders within that timeframe, the Company will be entitled to sell the Ordinary Shares of those Small Holders (provided no takeover bid for the Company is announced after the Company's notice to Small Holders was given).
- 4.22 **Disclosure of substantial shareholdings** Under the Australian Corporations Act, a person has a "substantial holding" if that person and his/her Associates have a relevant interest in 5 per cent. or more of voting shares in a company. A person who begins to or ceases to have a substantial holding in a company, or has a substantial holding in a company and there is movement by at least 1 per cent. in their holding, must give notice to the company and to the ASX. The contents of the notice are prescribed in the Australian Corporations Act, section 671B (3)/ (4).

The Company has proposed a resolution at its AGM to ensure it can comply, as far as possible, with Rule 17 of the AIM Rules on changes to Shareholders' holdings. Further details are set out in paragraph 17 of Part 1 of this document.

- 4.23 **Partial takeover bids** The Company must refuse to register transfers of Ordinary Shares purporting to accept partial takeover bids unless a resolution of the Company has been passed approving the offers in accordance with the provisions of the Constitution.

## 5. DIRECTORS

- 5.1 The Directors (in addition to their directorships of the Company) are or have been members of the administrative, management or supervisory bodies, or directors or partners of the following companies or partnerships within the five years prior to the publication of this document:

<b>Name</b>	<b>Current Directorships/Partnerships</b>	<b>Past Directorships/Partnerships</b>
<i>Nathan Mitchell</i>	Citiscan Radiology Pty. Ltd Constellation Energy Pty Ltd Fitzroy Terminal Pty Ltd Fitzroy Terminal Project Pty Ltd Hay Point Exports Pty Ltd Highfield Holdings & Investments Pty Ltd JORC Pty. Ltd. Mayur Resources Pty Ltd MEH Equipment Hire Pty Ltd Mitchell Drilling International Pty Ltd Mitchell Drilling Zambia Pty Ltd Mitchell Energy Services Pty Ltd Mitchell Family Investments (Qld) Pty Ltd Mitchell Family Holdings (Qld) Pty Ltd Mitchell Group Holdings Pty Ltd Mitchell International Holdings Pty Ltd Mitchell Operations Pty Ltd Mitchell Ports Pty Ltd Mitchell Services Limited Mitchell R & D Pty Ltd Padee Pty Ltd Notch Holdings Pty Ltd Notch No. 2 Pty Ltd Queensland LNG Pty Ltd Sub161 Pty. Ltd. Tom Browne International Pty Limited Well Drilled Pty Ltd Verso Energy Pty Ltd	Aquaknox Pty Ltd Aquamax (Qld) Pty Ltd Arcturus Capital Pty Ltd Inscomp Pty Ltd Maxial Technologies Pty Ltd Mitchell Drilling Corporation Pty Ltd Mitchell Equipment & Hire Pty Ltd Mitchell Gas Pty Ltd Mitchell Group Holdings (Australia) Pty Ltd Salva Pty Ltd Tlou Energy SPV Pty Ltd Tom Browne Global Pty Limited Westside Corporation Limited Z E Australia Pty Ltd VMW Engineering Pty Ltd

<b>Name</b>	<b>Current Directorships/Partnerships</b>	<b>Past Directorships/Partnerships</b>
<i>Nathan Mitchell</i> (continued)	SUB161 Holdings Corporation SUB161 Tanzania Limited Mitchell Drilling Kenya Limited Mitchell Drilling Mozambique Limitada Mitchell Drilling Tanzania Limited Mitchell Drilling Botswana Mitchell Group Holdings (Singapore) Pte. Ltd Mitchell Drilling USA Inc Mitchell Drilling India Pvt Ltd Mitchell Energy Services (Singapore) Pte Ltd Mitchell African Holdings Limited Mitchell (Beijing) Energy Technology Services Limited Expatriate Contractors Limited Mitchell Drilling Tanzania Limited	
<i>Anthony Gilby</i>	FJG Securities Pty Ltd Gilby Alice Street Pty Ltd Gilby Foundation Limited Gilby Investment Group Pty Ltd Gilby Kilcoy Pty Ltd Gilby Resources Pty Ltd Gilby Securities Pty Ltd Gilby Super Pty Ltd Ploughed Field Productions Pty Ltd Sares 2 Pty Ltd	Comet Ridge Ltd Gilby Buderim Property Pty Ltd Gilby Highvale Pty Ltd Tlou Energy SPV Pty Ltd Walcot Capital Pty Ltd VOC Investment Pty Ltd
<i>Gabaake Gabaake</i>	2G Investment Holdings (Pty) Limited Isago Holdings (Pty) Limited Homebase Holdings (Pty) Limited	Debswana Diamond Company (Pty) Limited Debswana Investments Societe Anonyme Diamond Trading Company Botswana De Beers Group Societe Anonyme De Beers Investments Societe Anonyme
<i>Martin McIver</i>	Arrowhead Property Holdings Pty Ltd Gold Training Pty Ltd Oliver Ventures Pty Ltd Pandanus Holdings Pty Ltd	Fitzroy Terminal Project Pty Ltd Mayur Resources Pty Ltd Salva Pty Ltd Tlou Energy SPV Pty Ltd Z E Australia Pty Ltd

Martin McIver resigned as a director of McKenzie River Bulkhaul Pty Ltd, an Australian Incorporated Company, on 7 June 2002. McKenzie River Bulkhaul Pty Ltd entered into voluntary administration on 17 December 2002. Following a resolution of its creditors on 4 April 2003, the Company entered into a deed of company arrangement, the terms of which have been complied with in full, and the creditors have received a distribution.

- 5.2 As at the date of this document, save as disclosed in paragraph 5.1 of part 4 of this document above none of the Directors has:
- 5.2.1 any unspent convictions in relation to indictable offences;
  - 5.2.2 been declared bankrupt or been subject to any individual voluntary arrangement;
  - 5.2.3 been a director of any company or been a member of the administrative, management or supervisory body of a company or a senior manager of a company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors whilst he was acting in that capacity for that company or within the 12 months after he ceased to be so acting;
  - 5.2.4 been a partner in any partnership which has been placed in compulsory liquidation, administration or partnership voluntary arrangement whilst he was a partner of that partnership or within 12 months after he ceased to be a partner in that partnership;

- 5.2.5 been the owner of any asset placed in receivership or been a partner in any partnership which had an asset placed in receivership whilst he was a partner of that partnership or within the 12 months after he ceased to be a partner of that partnership; or
- 5.2.6 been subject to any public criticisms by any statutory or regulatory authorities (including recognised professional bodies) or been disqualified by a court from acting as a director of a company or from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company.
- 5.3 In the case of those Directors who have roles as directors of companies other than the Company, it is possible that the fiduciary and statutory duties owed by those Directors to companies of which they are directors from time to time may give rise to conflicts of interest with the duties owed to the Company.
- 5.4 Martin McIver is currently the General Manager of Workpac Services, within the Workpac Group, and he holds a non-substantial interest in the Workpac Group. The Workpac Group is engaged in blue and white collar recruitment for mining jobs, labour hire, construction, engineering, oil and gas and healthcare jobs. The Workpac Group does not currently compete with the Group and, for this reason, the Directors do not consider that any conflicts of interest currently arise from Martin McIver's directorship and/or interests in those companies.
- Anthony Gilby currently holds 4.6 per cent. of Comet Ridge Limited. Comet Ridge Limited is focused on Coal Seam Gas (CSG) exploration and appraisal. Comet Ridge Limited does not currently compete with the Group and, for this reason, the Directors do not consider that any conflicts of interest currently arise from Anthony Gilby's interest in this company.
- 5.5 Save as disclosed in this paragraph 7.6, there are no potential conflicts of interest between the duties owed by the Directors to the Company and their duties to third parties.
- 5.6 None of the Directors has been interested, whether directly or indirectly, in any transaction which is or was unusual in its nature or conditions or significant to the business of the Group taken as a whole and which was effected by the Group and remains in any respect outstanding or unperformed.

## **6. DIRECTORS' AND SENIOR MANAGERMENTS' SERVICE AGREEMENTS AND LETTERS OF APPOINTMENT**

- 6.1 The following agreements have been entered into between the Directors and Senior Management and the Company:
- 6.1.1 Anthony Gilby has entered into a service agreement with the Company as its managing director dated 2 November 2012 subject to termination of three months' notice by either party. The Company can terminate Anthony Gilby's employment immediately and at its discretion make a payment in lieu of notice. The agreement provides for an annual salary of A\$511,000. Anthony Gilby has agreed to reduce his annual salary by 50 per cent. to A\$253,239.48 for a six month period commencing 1 October 2015.
- 6.1.2 Gabaake Gabaake has entered into a service agreement with Tlou as its regional manager dated 30 September 2015 subject to termination of three months' notice by either party. The Company can terminate Gabaake Gabaake's employment immediately and at its discretion make a payment in lieu of notice. The agreement provides for an annual salary of BWP 1,056,000. Gabaake Gabaake has agreed to reduce his annual salary by 50 per cent. to BWP 528,000 for a six month period commencing 1 October 2015.
- 6.1.3 The service agreements set out in paragraphs 6.1.1 and 6.1.2 contain post-termination restrictive covenants restricting Anthony Gilby and Gabaake Gabaake's ability to complete for a period of six and 12 months post termination respectively.
- 6.1.4 The services of Nathan Mitchell and Martin McIver as non-executive directors are provided under the terms of letters of appointment between them and the Company dated 29 September 2015 subject to termination upon at least one months' notice, at an initial fee of A\$36,000 per annum respectively. Nathan Mitchell and Martin McIver have each agreed to reduce their annual director fee by 50 per cent. to A\$18,000.00 for a six month period commencing 1 October 2015.

- 6.2 The Company has entered into deeds of access and indemnity with each of the Directors, indemnifying them against liability incurred, including costs and expenses in successfully defending legal proceedings. The indemnity applies for liability of costs and expenses incurred by the director arising in their capacity as a director of the Company or Subsidiary of the Company.
- 6.3 Save as disclosed in paragraph 6 of this Part 4, there are no existing or proposed service agreements, consultancy agreements or letters of appointment between any of the Directors and any member of the Group which provide benefits upon termination of employment or otherwise.

## 7. DIRECTORS' SHAREHOLDINGS AND OTHER INTERESTS

- 7.1 The interests of the Directors and, so far as is known to the Directors having made appropriate enquiries, persons connected with them, which expression shall be construed in accordance with the AIM Rules for Companies, (all of which are beneficial except as shown), in the Existing Share Capital as at 26 October 2015, being the last practicable date prior to the publication of this document, and as expected to be immediately following Admission, are as follows:

Name of Director	As at the date of this document		On Admission	
	Number of Ordinary Shares	% of the Existing Share Capital	Number of Ordinary Shares	% of the Enlarged Share Capital
Nathan Mitchell	16,680,814 <sup>(1)</sup>	8.91	16,680,814	8.11
Anthony Gilby	17,796,487 <sup>(2)</sup>	9.51	17,796,487	8.66
Gabaake Gabaake	80,857 <sup>(3)</sup>	0.04	80,857	0.04
Martin McIver	296,088 <sup>(4)</sup>	0.16	296,088	0.14

- (1) Mitchell Family Investments (QLD) Pty Ltd (an entity controlled by Nathan Mitchell) (which holds 2,913,650 Ordinary Shares), Mitchell Group Holdings Pty Ltd (an entity controlled by Nathan Mitchell) (which holds 11,136,364 Ordinary Shares) and Nathan Mitchell as trustee for the Mitchell Family Super Fund (an entity controlled by Nathan Mitchell) (which holds 2,500,000 Ordinary Shares).
- (2) Gilby Super Pty Ltd at Gilby Superannuation Fund A/C (which holds 10,704,240 Ordinary Shares), Gilby Resources Pty Ltd at the Gilby Investment A/C (which holds 4,825,105 Ordinary Shares) and SARES2 Pty Ltd ATF (an entity that Anthony Gilby has a 50 per cent. beneficial interest in) (which holds 571,812 Ordinary Shares).
- (3) 80,857 Ordinary Shares are held through 2G Investment Holdings (PTY) (an entity owned by Gabaake Gabaake).
- (4) Arrowhead Family S/F A/C (an entity controlled by Martin McIver) (which holds 97,201 Ordinary Shares) and Arrowhead Family Super A/C (an entity controlled by Martin McIver) (which holds 168,087 Ordinary Shares).

- 7.2 On Admission, the Directors and, so far as is known to the Directors having made appropriate enquiries, persons connected with them, which expression shall be construed in accordance with the AIM Rules for Companies, will have the following Options:

Name of Director	Number of Options	Option exercise price	Option expiration date
Nathan Mitchell	1,500,000	A\$0.625	30 April 2016
Anthony Gilby	4,000,000	A\$0.625	30 April 2016
Gabaake Gabaake	100,000	A\$0.625	30 April 2016
Martin McIver	250,000	A\$0.625	30 April 2016

## 8. SIGNIFICANT SHAREHOLDINGS

- 8.1 As at 26 October 2015, being the latest practicable date prior to the publication of this document, save as set out in the following table, the Directors are not aware of any persons (excluding Directors' holdings noted in paragraph 7.1 above) who, directly or indirectly, jointly or severally, have an interest of 5 per cent. or more in the issued share capital or voting rights of the Company or exercise or could exercise control over the Company:

Name	As at the date of this document		On Admission	
	Number of Ordinary Shares	% of the Existing Share Capital	Number of Ordinary Shares	% of the Enlarged Share Capital
Talon Metals Corp	14,285,714	7.63	14,285,714	6.95
Acorn Capital Ltd	10,564,291	5.64	11,636,291	5.66
Kinetic Investment Partners Pty Ltd	9,379,626	5.01	9,379,626	4.56
Stephen Hemsley <sup>(1)</sup>	6,431,336	3.44	7,861,335	3.82

### Notes:

- (1) Held by Mr Hemsley, his family and CTG Investments Limited (a discretionary Trust of which Stephen Hemsley and his family are the potential beneficiaries).

- 8.2 Save as disclosed in this paragraph 8.1, the Directors are not aware of any person who directly or indirectly owns or controls the Company.
- 8.3 The Directors are not aware of any arrangements in place or under negotiation the operation of which may, at a subsequent dates, result in a change of control of the Company.
- 8.4 No Shareholder has voting rights which are different from the other Shareholders.

## 9. EMPLOYEES

In the past three financial years, the Group had the following number of employees (including Directors under employment contracts) and full-time consulting and contracting personnel distributed across the Group's international operations.

### Group employees by country

	2013	30 June 2014	2015
<b>Employees</b>			
Australia	4	3	3
Botswana	22	22	23
<b>Sub-total</b>	<u>26</u>	<u>25</u>	<u>26</u>
<b>Full-time consulting and contracting personnel</b>			
Australia	3	7	6
Botswana	1	1	1
United Kingdom	0	1	1
<b>Sub-total</b>	<u>4</u>	<u>9</u>	<u>8</u>
<b>Total</b>	<u>30</u>	<u>34</u>	<u>34</u>

As at 30 June 2015, the distribution of the Group's employees and full-time consulting and contracted personnel working in each function were:

### Group employees by function

Function	% of Staff
Geology	6
Drilling and operations	47
Accounting, finance & business development	15
Administration & other	18
Management	15
<b>Total</b>	<u>100</u>

As at the date of this document, the number of employees of the Group in: (i) Australia; and (ii) Botswana was 3 and 23 respectively.

## 10. MATERIAL CONTRACTS

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

### 10.1 Nominated Adviser Agreement

Pursuant to a nominated adviser agreement (the "Nominated Adviser Agreement") dated 27 October 2015 between the Company and Grant Thornton, the Company has appointed Grant Thornton to act as nominated adviser to the Company for the purposes of the AIM Rules for Companies with effect from Admission to provide, *inter alia*, all the services specified from time to time in the AIM Rules for Companies or by any regulatory authority relating to a company trading on AIM as being the responsibility of a Nominated Adviser. The Company has agreed to pay Grant Thornton an annual retainer fee (plus VAT where applicable and expenses), payable quarterly in

advance. Grant Thornton may terminate the Nominated Adviser Agreement on 30 days' notice. The Company may terminate the Nominated Adviser Agreement on 30 days' notice to expire no earlier than 12 months from the date of the agreement.

#### 10.2 **Broker Agreement**

Pursuant to the broker agreement (the "Broker Agreement") dated 27 October 2015 between the Company and Brandon Hill, pursuant to which the Company has appointed Brandon Hill to act as broker to the Company for the purposes of the AIM Rules for Companies. The Company has agreed to pay Brandon Hill an annual fee of £40,000 (subject to adjustment in the event that a joint broker is appointed) for its services as broker under the Broker Agreement. The Broker Agreement continues for a fixed period of one year from the date of the agreement and, is otherwise subject to termination on the giving of three months' notice.

#### 10.3 **UK Placing Agreement**

Pursuant to the placing agreement (the "UK Placing Agreement") dated 27 October 2015 between the Company, the Directors, Grant Thornton and Brandon Hill, Brandon Hill has agreed to use its reasonable endeavours to arrange for Placees to subscribe for the UK Placing Shares at the UK Placing Price. The agreement is conditional, *inter alia*, upon Admission taking place on or before 30 November 2015 or such later date as Brandon Hill, Grant Thornton and the Company may agree but in any event not later than 15 December 2015.

On completion of the Placing and Admission, the Company has agreed to pay Grant Thornton the balance of their total advisory fee and to Brandon Hill the balance of their total advisory fee of £50,000 together with a commission of 5 per cent. on the aggregate value at the Placing Price of the UK Placing Shares placed with Placees introduced by Brandon Hill. The Company has also agreed to grant the BH Options to Brandon Hill.

The agreement contains warranties given by the Directors and the Company and indemnities from the Company in favour of Grant Thornton and Brandon Hill as to the accuracy of information contained in this document and other matters relating to the Company and its business. The liability of the Directors for a breach of warranty is limited.

Brandon Hill and Grant Thornton may terminate the agreement in specified circumstances prior to Admission, principally in the event of a material breach of the agreement or any of the warranties contained in it, or where any event of omission relating to the Group is, or will be in the opinion of Brandon Hill and Grant Thornton, material in the context of the Placing or Admission, or where any change of national or international, financial, monetary, economic, political or market conditions is, or will be in the opinion of Brandon Hill and Grant Thornton, materially adverse to the Company or the successful outcome of the Placing.

#### 10.4 **Australian Placement Agreement**

Pursuant to the placement agreement (the "Australian Placement Agreement") dated 27 October 2015 between the Company, Integra and Morgans (together with Integra, being "Australian Joint Brokers"), the Australian Joint Brokers have agreed to use their reasonable endeavours to arrange for Placees to subscribe for the Australian Placing Shares at the Placing Price. The agreement is conditional on, *inter alia*, Admission.

On completion of the Placing and Admission, the Company has agreed to pay the Australian Joint Brokers a commission of 5 per cent. of the aggregate value at the Australian Placing Price of the Australian Placing Shares.

The agreement contains representations, warranties and indemnities from the Company in favour of the Australian Joint Brokers. The Australian Joint Brokers may terminate the agreement in specified circumstances prior to Admission, if the Company is removed from the ASX or where there is an adverse change to the Group or any misleading information, or where there are any hostilities, or change political or economic conditions.

#### 10.5 **Lock-In Arrangements**

The Directors' Lock-in and Orderly Market Agreements dated 27 October 2015 between the Company, Grant Thornton, Brandon Hill, and each of the Directors in relation to their aggregate holdings of 34,854,246 Ordinary Shares, representing 16.95 per cent. of the Enlarged Share Capital pursuant to which each of the Directors has undertaken to Grant Thornton, Brandon Hill and the Company subject to certain limited exceptions permitted under the AIM Rules that they will not

dispose of any interests in Ordinary Shares for 12 months from the date of Admission and then a further 12 months will only dispose of Ordinary Shares in an orderly fashion through Brandon Hill (or the Company's broker from time to time), provided that the price, costs and expenses relating to the disposal are competitive with those offered by other brokers and Brandon Hill is, within a period of five days, able to obtain a price equal to or in excess of the best price which can be obtained elsewhere.

#### 10.6 **BH Options**

Options created under an option agreement dated 27 October 2015 entered into between the Company and Brandon Hill pursuant to which the Company will conditional upon Admission issue 1,500,000 options convertible on exercise into 1,500,000 Ordinary Shares. The BH Options may be exercised at a price of 6.5 pence (the "Exercise Price") per new Ordinary Share and at any time for a period of two years from the date of grant. Under the terms of the BH Option Agreement, as a result of a reorganisation, the number of Ordinary Shares subject to the BH Options or the Exercise Price may be adjusted to such extent as is considered fair and reasonable in the opinion of the Company's auditors.

#### 10.7 **Depository Agreement**

On 27 October 2015 the Company entered into a Depository Agreement with the Depository pursuant to which the Company appointed the Depository as the depository to constitute and issue from time to time a series of uncertificated depository interests, each such series representing a particular class of securities issued by the Company with a view to facilitating the indirect holding and settlement of transactions in such securities of each class concerned by participants in CREST. Such uncertificated depository interests are to be issued by the Depository upon the terms of the Depository Deed, details of which are set out in paragraph 10.8 of this Part 4.

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

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

#### 10.8 **Depository Deed**

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

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

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

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

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

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

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

#### 10.9 **Rockface Capital Advisors Agreement**

An engagement letter dated 5 August 2015 between the Company (1) and Rockface Capital Advisors Ltd ("Rockface") (2) under which Rockface has agreed to source investors, lenders and/or royalty purchasers ("Investors") in relation to the Lesedi CBM Project. Rockface was paid a retainer of A\$10,000 and will be awarded a success fee of between 2 and 5 per cent. of the gross proceeds raised. The agreement is terminable immediately on written notice. Under the terms of the agreement, upon termination Rockface is entitled to a success fee, for a period of two years, if the Company receives a commitment from an Investor sourced by Rockface. The agreement includes indemnities given by the Company in favour of Rockface.

#### 10.10 **General Electric Co-operation Agreement**

On 21 April 2015 the Company entered into a co-operation agreement with IK Holdings Pty Ltd and General Electric International Inc, pursuant to which the parties agree to work together until 30 November 2015 to achieve a gas sales heads of agreement in connection with the 90MW Orapa power generation facility and the 300MW Greenfield IPP Project. The agreement is not legally binding.

#### 10.11 **Farm-In Agreement**

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

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

Sable Energy currently owns 100 per cent. of the issued shares of Tlou Resources, but the farm-in obligation that must be satisfied to release the final 10 per cent. of Tlou Resources shares to Sable

Energy, namely the grant of the mining licence, has not been satisfied. Accordingly, 10 per cent. of Sable Energy's holding of Tlou Resources is held subject to the Farm-In Agreement and could be forfeited to Sekaname if the obligation to obtain the mining licence by the specified deadline is not achieved. The full benefit of that 10 per cent. is only released to Sable Energy upon Tlou Resources being granted a mining licence in respect of a Lesedi Licence by the specified deadline.

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

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

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

#### **10.12 2009 Share Sale Agreement**

On 28 July 2009 Tlou entered into a share sale agreement ("2009 Share Sale Agreement") with Saber Energy Corp., Saber Energy Inc. ("Saber"), Mica Investments (Barbados) Inc. ("Mica"), Sable Energy and Technoleads International Inc. ("Technoleads"). Essentially the 2009 Share Sale Agreement, together with an associated shareholders' agreement and management agreement, was intended to effect a joint venture between Saber and Tlou in respect of certain CBM prospecting licences in Botswana, namely the Lesedi Project indirectly held by Sable Energy subject to the terms of the Farm-In Agreement summarised above and certain other licences held by Mica and Technoleads relating to the 'Masama' and 'Saber' CBM projects respectively.

Tlou was issued with new shares in each of Mica, Sable Energy and Technoleads to give it an interest in 75.3 per cent. of the issued share capital of Mica, 10 per cent. of the issued share capital of Sable Energy and 75 per cent. of the issued share capital of Technoleads. Accordingly, in respect of the Lesedi Project, Tlou held 10 per cent. of Sable Energy, being the company that in turn had the right to farm in to the Lesedi Project. Tlou would manage the three projects, and to retain its shares in the three companies Tlou was required to drill certain core-holes. Should it fail to do this Tlou's shares in the companies would be transferred to Saber for free. The parties gave each other warranties and indemnities customary for a transaction of this nature.

This joint venture arrangement has now been superseded by the 2010 Share Sale Agreement summarised below.

#### **10.13 Implementation Deed and 2010 Share Sale Agreement**

Subsequent to the 2009 Share Sale Agreement and joint venture arrangements summarised above, Saber was acquired by Talon Energy Ltd ("Talon"). On 12 August 2010, Tlou and Talon entered into an implementation deed ("Implementation Deed"), the purpose of which was to agree a proposal, subject to the satisfaction of certain conditions precedent, for Tlou to acquire from Saber the balance of the shares in each of Mica, Sable Energy and Technoleads, and also to acquire shares in certain other subsidiaries of Saber, being Copia Resources Inc and Apex Resources Number 2 Inc. Tlou would also acquire certain plant and equipment from Saber. As consideration, Tlou would issue certain Ordinary Shares to Talon and grant options over certain Ordinary Shares to Talon. The Implementation Deed served as a framework for the parties to agree and implement the terms of these various acquisitions within an agreed timetable. The parties gave each other warranties and indemnities customary for a transaction of this nature.

On or around 26 November 2010, Tlou, Talon, Saber and Saber Exploration (Proprietary) Ltd entered into a share sale agreement (“2010 Share Sale Agreement”) which consummated the transactions contemplated by the Implementation Deed. In particular, Tlou acquired:

- 10.13.1 the balance of the issued share capital of each of Mica, Sable Energy and Technoleads to give it a 100 per cent. shareholding in each of these companies;
- 10.13.2 the entire issued share capital of each of Copia Resources Inc and Apex Resources Number 2 Inc.; and
- 10.13.3 certain plant and equipment relating to the Botswana CBM projects.

As consideration for this acquisition, Tlou issued 19,285,714 new Ordinary Shares to Talon and granted to Talon options over a further 4,945,055 new Ordinary Shares. These options have subsequently lapsed unexercised.

In relation to Sable Energy, as a result of the completion of this 2010 Share Sale Agreement Tlou now holds 100 per cent. of the issued share capital of Sable Energy which in turn holds 100 per cent. of the issued share capital of Tlou Resources (subject to the terms of the Farm-In Agreement, as explained above) which in turn holds the Lesedi Licences. Tlou has subsequently decided not to pursue the prospecting licences held by each of Mica and Technoleads and these have been relinquished. Copia Resources Inc. is the holding company of Tlou Energy Corporate Services Botswana Pty Ltd, which is the Group’s administrative company in Botswana. Apex Resources Number 2 Inc. held certain exploration interests in Mozambique, which Tlou has decided not to pursue, and Tlou is in the process of winding up Apex Resources Number 2 Inc. and its subsidiaries.

Each of the parties gave the others warranties and indemnities customary for a transaction of this nature. There are also customary limitations on liability in respect of the warranties and indemnities.

#### ***Lesedi CBM Project***

10.14 Tlou Resources owns the following prospecting licences:

- 10.14.1 Prospecting Licence 001/2004 was issued and granted on 1 April 2015 and expires on 31 March 2017. The scope of the licence grants Tlou Resources the right to carry on prospecting operations over an area of 898.1km<sup>2</sup> in the Karoo-Kalahari Basin.
- 10.14.2 Prospecting Licence 002/2004 was issued and granted on 1 April 2015 and expires on 31 March 2017. The scope of the licence grants Tlou Resources the right to carry on prospecting operations over an area of 899.4km<sup>2</sup> in the Karoo-Kalahari Basin.
- 10.14.3 Prospecting Licence 003/2004 was issued and granted on 1 April 2015 and expires on 31 March 2017. The scope of the licence grants Tlou Resources the right to carry on prospecting operations over an area of 757.4km<sup>2</sup> in the Karoo-Kalahari Basin.
- 10.14.4 Prospecting Licence 0035/2000 was issued and granted on 1 October 2014 and expires on 30 September 2016. The scope of the licence grants Tlou Resources the right to carry on prospecting operations over an area of 561km<sup>2</sup> in the Karoo-Kalahari Basin.
- 10.14.5 Prospecting Licence 0037/2000 was issued and granted on 1 October 2014 and expires on 30 September 2016. The scope of the licence grants Tlou Resources the right to carry on prospecting operations over an area of 897km<sup>2</sup> in the Karoo-Kalahari Basin.

#### ***Mamba CBM Project***

10.15 Tlou Solutions owns the following prospecting licences:

- 10.15.1 Prospecting Licence 237/2014 was issued and granted on 1 July 2014 and expires on 30 June 2017. The scope of the licence grants Tlou Solutions the right to carry on prospecting operations over an area of 958km<sup>2</sup> in the Karoo-Kalahari Basin.
- 10.15.2 Prospecting Licence 238/2014 was issued and granted on 1 July 2014 and expires on 30 June 2017. The scope of the licence grants Tlou Solutions the right to carry on prospecting operations over an area of 827km<sup>2</sup> in the Karoo-Kalahari Basin.
- 10.15.3 Prospecting Licence 239/2014 was issued and granted on 1 July 2014 and expires on 30 June 2017. The scope of the licence grants Tlou Solutions the right to carry on prospecting operations over an area of 964km<sup>2</sup> in the Karoo-Kalahari Basin.

10.15.4 Prospecting Licence 240/2014 was issued and granted on 1 July 2014 and expires on 30 June 2017. The scope of the licence grants Tlou Solutions the right to carry on prospecting operations over an area of 885km<sup>2</sup> in the Karoo-Kalahari Basin.

10.15.5 Prospecting Licence 241/2014 was issued and granted on 1 July 2014 and expires on 30 June 2017. The scope of the licence grants Tlou Solutions the right to carry on prospecting operations over an area of 873km<sup>2</sup> in the Karoo-Kalahari Basin.

## **11. OPTIONS**

As at 26 October 2015, being the latest practical date before the publication of this document, the Company had 10,575,000 Options outstanding, exercisable at a price of A\$0.625 until 30 April 2016.

There are no performance conditions over the Options. The Options are not quoted on ASX or AIM.

If the Share Capital of the Company is altered, the number of Ordinary Shares subject to the option or the option price may be adjusted by the Board, with such adjustments to be confirmed as appropriate by the auditors.

## **12. WORKING CAPITAL**

The Directors are of the opinion that, having made due and careful enquiry, the working capital available to the Group will be sufficient for its present requirements, that is for at least 12 months from the date of Admission.

## **13. LITIGATION**

There have been no governmental, legal or arbitral proceedings (including any such proceedings which are pending or threatened of which the Directors are aware) which may have, or have had during the 12 months immediately preceding the date of this document, a significant effect on the financial position or profitability of the Company or the Group and so far as the Directors are aware, there are no such proceedings pending or threatened by or against any member of the Group.

## **14. RELATED PARTY TRANSACTIONS**

Related party transactions in the period 1 July 2012 to 30 June 2015 are disclosed in the Group's Annual Reports for the three years ended 30 June 2015, which are available on the Company's website. Save for the transactions set out in the Annual Reports between 1 July 2014 and the date of this document, none of the members of the Group have entered into any related party transactions (as set out in the standards adopted according to Regulation EC1606/2002).

## **15. TAXATION**

### **15.1 United Kingdom taxation**

The following summary, which is intended as a general guide only, outlines certain aspects of current UK tax legislation, and what is understood to be the current practice of HMRC in the United Kingdom regarding the ownership and disposal of ordinary shares.

This summary is not a complete and exhaustive analysis of all the potential UK tax consequences for holders of Ordinary Shares. It addresses certain limited aspects of the UK taxation position of UK resident Shareholders who are absolute beneficial owners of their Ordinary Shares and who hold their Ordinary Shares as an investment. This summary does not address the position of certain classes of Shareholders such as Shareholders who (together with associates) have a 10 per cent. or greater interest in the Company or who are not domiciled in the UK for UK tax purposes, or, such as dealers in securities, market makers, brokers, intermediaries, collective investment schemes, pension funds or UK insurance companies or whose shares are held under a personal equity plan or an individual savings account or are "employment related securities" as defined in Section 421B of the UK Income Tax (Earnings and Pensions) Act 2003. Any person who is in any doubt as to his tax position or who is subject to taxation in a jurisdiction other than the UK should consult his professional advisers immediately as to the taxation consequences of their purchase, ownership and disposal of Ordinary Shares. This summary is based on current United Kingdom tax legislation. Shareholders should be aware that future legislative, administrative and judicial changes could affect the taxation consequences described in this document.

### 15.1.1 *The Company*

The profits of the Company should not be subject to UK corporation tax, as the Company will not be managed and controlled in the UK.

### 15.1.2 *Shareholders*

#### (a) *Withholding tax*

Under current UK taxation legislation, no UK tax will be withheld at source from dividend payments by the Company.

#### (b) *Taxation of dividends Individuals*

Currently, UK resident individual Shareholders who receive a dividend from the Company will generally be entitled to a tax credit, which can be set off against the individual's income tax liability on the dividend payment. The rate of tax credit on dividends paid by the Company will be 10 per cent. of the total of the dividend payment and the tax credit (the "gross dividend"), or one-ninth of the dividend payment. UK resident individual Shareholders will generally be taxable on the gross dividend, which once UK dividends have been taxed will be regarded as the top slice of the Shareholder's income. UK resident individual Shareholders who are not liable to income tax in respect of the gross dividend will generally not be entitled to reclaim any part of the tax credit. In the case of a UK resident individual Shareholder who is not liable to income tax at the higher rates (taking account of the gross dividend he or she receives), the tax credit will satisfy in full such Shareholder's liability to income tax. To the extent that a UK resident individual Shareholder's income (including the gross dividend) is subject to the higher rate of income tax, such Shareholders will be subject to income tax on the gross dividend at the distribution income upper rate of 32.5 per cent. but will be able to set the tax credit against this liability. This results in an effective tax rate of 25 per cent. on the net dividend. UK Shareholders who are liable to the additional rate of income tax will be subject to an income tax rate of 37.5 per cent. on the gross dividend and an effective tax rate of approximately 31.6 per cent. of the net dividend. UK resident individual taxpayers who are subject to the higher or additional rates should be able to claim a credit against their UK income tax liability on dividends paid by the Company for any Australian withholding tax suffered at the rate specified in the UK/Australia double taxation treaty.

The UK Government announced plans in the Summer Budget to change the UK law in relation to the taxation of dividends for individuals resident in the UK. The planned changes are due to be effective from 6 April 2016, although the proposals have yet to be enacted in law. UK resident individual shareholders should consult their professional advisers in relation to the potential impact of these proposed changes.

### 15.1.3 *Companies*

A corporate Shareholder resident in the UK, for tax purposes, may meet one of the corporation tax exemptions and may not be subject to corporation tax or income tax on dividend payments received from the Company. Corporate Shareholders will not, however, be able to claim repayment of tax credits attaching to the dividend payment.

### 15.1.4 *Chargeable gains*

A disposal of Ordinary Shares by a Shareholder who is resident for tax purposes in the UK will in general be subject to UK taxation on capital gains on a disposal of Ordinary Shares. A Shareholder who is not resident in the UK for tax purposes, but who carries on a trade, profession or vocation in the UK through a permanent establishment (where the Shareholder is a company) or through a branch or agency (where the Shareholder is not a company) and has used, held or acquired the Ordinary Shares for the purposes of such trade, profession or vocation or such permanent establishment, branch or agency (as appropriate) will be subject to UK tax on capital gains on the disposal of Ordinary Shares. In addition, any holders of Ordinary Shares who are individuals and who dispose of shares while they are temporarily non-resident may be treated as disposing of them in the tax year in which they again become resident in the UK. For UK individuals, capital gains are chargeable at 18 per cent. or 28 per cent. depending on the individual's total taxable income and gains subject to certain reliefs and exemptions. The rate for trustees is 28 per cent. For UK corporates any gain would be

taxable at the prevailing rate of corporation tax (currently 20 per cent., but due to reduce to 19 per cent. with effect from 1 April 2017 and 18 per cent. with effect from 1 April 2020. Indexation may apply to reduce any such gain (though indexation is no longer available to individuals and trustees).

These comments are intended only as a general guide to the current tax position in the UK at the date of this document. The rates and basis of taxation can change and will be dependent on a Shareholder's personal circumstances.

Neither the Company nor its advisers warrant in any way the tax position outlined above which, in any event, is subject to changes in the relevant legislation and its interpretation and application.

## 15.2 **Australian taxation implications for Australian and UK Residents Investing in Flou**

This paragraph 15.2 contains a summary of the potential Australian taxation implications of the future disposals of Ordinary Shares by, and payment of future dividends to, Shareholders.

The tax implications for Shareholders will vary depending on a Shareholder's particular circumstances.

The following information is provided as a general guide only and should not be viewed as tax advice in relation to the specific circumstances of Shareholders. The information provided does not represent a complete analysis of all potential tax implications associated with the disposal of Ordinary Shares or the payment of dividends. Shareholders should consult their own tax advisers as to the potential tax consequences in respect of their own particular circumstances, including advice regarding tax return reporting requirements, applicable tax laws and the effect of any proposed changes in tax laws.

The general description provided in this section is only relevant to the Australian taxation position of Shareholders who hold Shares on capital account and who continue to be Shareholders at the time the relevant transactions are undertaken. It does not apply to Shareholders who hold their Shares on revenue account or as trading stock or who acquired their shares under an employee share scheme or to Shareholders who hold their shares subject to the Taxation of Financial Arrangements (TOFA) provisions. Such shareholders should seek their own advice on the Australian taxation law consequences of a disposal of Ordinary Shares.

Shareholders who are not residents of Australia for tax purposes should also seek their own advice in relation to the taxation consequences arising from the relevant transactions under the laws of their country of residence.

### 15.2.1 *Income tax consequences of Admission to the AIM market*

The Admission of tradeable securities of the Company to AIM, of itself, will not have any tax consequences. In particular, the act of Admission itself will not alter the residency of the Company for tax purposes. Shareholders will continue to hold Shares in a company which is resident in Australia for tax purposes and there will not be any tax event for Shareholders as a result of Admission.

### 15.2.2 *Income tax consequences of future share disposals*

#### (a) *Australian resident shareholders*

- (i) Australian resident shareholders that hold Ordinary Shares on capital account will derive a capital gain on disposal of Ordinary Shares in the Company where the capital proceeds for the disposal (broadly, the consideration for disposal) exceed the cost base of the Ordinary Shares. The cost base generally is equal to the consideration paid to acquire the Ordinary Shares plus incidental costs (e.g. brokerage).
- (ii) An Australian resident shareholder will make a capital loss on the disposal of Ordinary Shares where the capital proceeds received on disposal are less than the reduced cost base of the Shares.
- (iii) The assessable income of an Australian resident taxpayer includes a net capital gain for an income year. The net capital gain is calculated by adding all capital gains of the taxpayer for the income year to all capital losses for that year.

- (iv) Any capital gain from the disposal of Ordinary Shares in the Company may qualify as a discount capital gain for certain Shareholders where the Ordinary Shares have been held for at least 12 months before disposing of them. Where the capital gains tax discount applies, the amount of the capital gain may be discounted by 50 per cent. for individuals or trusts, and 33 and 1/3 per cent. for complying superannuation funds and life insurance companies in respect of certain investments. Australian tax resident companies are not entitled to discount the capital gain.
  - (v) A capital loss amount generally may be carried forward to reduce a net capital gain in the same or future income years, subject in some cases to the Shareholder satisfying certain rules relation to the recoupment of carried forward losses. It cannot be used to offset ordinary taxable income, nor can it be carried back against capital gains of prior years.
- (b) *Non-resident shareholders*
- (i) Non-Australian resident Shareholders who hold Ordinary Shares on capital account will not be subject to Australian capital gains tax on the disposal of Shares unless:
    1. the non-resident, together with associates, has a holding of at least 10 per cent. of all the issued Shares of the Company (portfolio interest); and
    2. at the time of disposal, more than 50 per cent. of the market value of the assets of the Company is represented (directly or indirectly) by real property interests in Australia (including leases of land) or certain mining, quarrying and prospecting rights in Australia.
  - (ii) Non-Australian resident and temporary resident Shareholders are not entitled to discount capital gains in respect of the disposal of Ordinary Shares that were acquired by the Shareholder after 8 May 2012.
  - (iii) Relevant double taxation agreements may affect the Australian capital gains tax rules for non-resident Shareholders on the disposal of Shares.
  - (iv) Non-resident Shareholders who have a non-portfolio interest together with their associates in the circumstances described above should seek specific Australian tax advice. Non-resident Shareholders that have previously been Australian residents should also seek specific Australian tax advice.

### 15.2.3 *Income tax consequences of payment of dividends*

- (a) *Australian resident Shareholders*
  - (i) Dividends must be included in the assessable income of Australian resident Shareholders in the income year that the dividend is paid. The Shareholders that receive the dividends may be entitled to a tax credit (a 'franking credit') where the Company has paid income tax on profits from which the dividend is paid. Dividends may be partly or fully franked.
  - (ii) The amount that must be included in assessable income of the Shareholder is the amount of the dividend paid plus any franking credit that accompanies the dividend. The tax offset available to the Shareholder is generally equal to the franking credit amount attached to the dividend.
  - (iii) Where the tax offset exceeds the tax payable by the Shareholder, Australian resident individual and superannuation fund Shareholders should generally be entitled to a refund of excess franking credits. Corporate Shareholders cannot generate a refund for excess franking credits, but may be able to convert the excess into carry forward income tax losses.
  - (iv) For shares acquired after 1 July 1997, Shareholders must generally hold shares 'at risk' for at least 45 days to be able to claim the tax offset in order to qualify for franking benefits, including franking credits. The 'holding period rule' is subject to certain exceptions, and it does not apply where the total franking

rebates for an individual in a year of income do not exceed A\$5,000. Special rules apply to trusts and beneficiaries.

- (v) Australian individual resident shareholders who do not provide their Australian Business Number or tax file number may have an amount withheld (up to 49 per cent.) from unfranked dividends paid by the Company. No amount should be withheld from the franked part of a dividend.
- (vi) There are rules in the tax law whereby part or all of certain payments to Shareholders may be deemed by the Commissioner of Taxation to be dividends in certain circumstances, despite the fact that the payment is not a dividend declared by directors or paid out of profits or a profit reserve.

(b) *Non-resident Shareholders*

- (i) Subject to the operation of a double taxation agreement, unfranked dividends paid by the Company to non-resident Shareholders will generally be subject to withholding tax at the rate of 30 per cent. A lower rate of withholding tax within a range of 0 per cent. to 20 per cent. will generally apply where the Shareholder is a resident of country with which Australia has a double taxation agreement.
- (ii) Franked dividends paid to non-resident Shareholders will generally not be subject to withholding tax.

#### 15.2.4 *Goods and Services Tax*

GST is a value added tax imposed on certain supplies and importations. In addition to other requirements, in order for GST to be payable on a taxable supply, the supply must be connected with Australia. An import is taxable when the entity imports goods into Australia and the goods are processed by Australian Border Force. GST is imposed at a rate of 10 per cent.

There are special rules in the Australian GST law which may result in no GST on certain transactions. However, there are strict criteria that must be satisfied and this should be determined on a transaction by transaction basis.

The issue of shares in the Company on AIM will not give rise to GST. Further, the payment of dividends associated with these shares will not be subject to GST.

#### 15.2.5 *Transfer Duty or Landholder Duty*

The issue of shares in the Company on AIM is not likely to give rise to any transfer duty (or stamp duty in certain jurisdictions) implications within the various jurisdictions in Australia. This is on the basis that the Company amounts to a public company or listed corporation for Australian duties law.

- 15.3 The Company does not have any landholdings (including exploration or resource tenements) located in Australia. Therefore, landholder duty (or land rich duty in certain jurisdictions) will not be imposed.

## 16. **CONSENTS**

- 16.1 Brandon Hill has given and not withdrawn its written consent to the issue of this document with the inclusion in it of references to its name in the form and context in which they appear.
- 16.2 Grant Thornton has given and not withdrawn its written consent to the issue of this document with the inclusion in it of references to its name in the form and context in which they appear.
- 16.3 BDO and BDO Corporate Finance have given and not withdrawn written consent to the issue of this document with the inclusion in it of the references to its name in the form and context in which they appear.
- 16.4 SRK has given and not withdrawn its written consent to the issue of this document with the inclusion of references to the SRK CPR in this document and to its name in the form and context in which they appear.

## **17. OTHER INFORMATION**

- 17.1 The Company's Ordinary Shares have traded on ASX, an AIM Designated Market (as defined by the AIM Rules for Companies) since 9 April 2013. The Directors confirm, following due and careful enquiry, that the Company has adhered to any legal and regulatory requirements involved in having its securities traded on ASX.
- 17.2 All announcements made by the Company since its admission to ASX are available at [www.tlouenergy.com](http://www.tlouenergy.com).
- 17.3 There has been no public takeover bid for the whole or any part of the share capital of the Company or any other member of the Group prior to the date of this document.
- 17.4 Save as disclosed in this document, there has been no significant change in the financial or trading position of the Group since 30 June 2015, the date to which the last audited accounts (available on the Company's website) were prepared.
- 17.5 The total costs and expenses payable by the Company in connection with Admission (including professional fees, commissions, the costs of printing and the fees payable to the registrars) are estimated to amount to approximately £429,887 (approximately A\$909,641) (excluding VAT). The Company will finance the expenses incurred in connection with the application for Admission out of the proceeds of the Placing. Included in the expenses are approximately £160,000 of costs incurred by the Company in connection with Admission which have already been paid out of the Company's existing cash. The total proceeds of the Placing available to the Company after the remaining expenses have been paid will be approximately £930,000.
- 17.6 Save for the Company's advisers disclosed in this document, the Company's trade suppliers, and the payments referred to in paragraph 17.7 below, no person has received, directly or indirectly, from the Group within the 12 months preceding the date of this document or has entered into any contractual arrangements to receive, directly or indirectly, from the Group on or after Admission, fees totalling £10,000 or more or securities in the Company with a value of £10,000 or more or any other benefit with a value of £10,000 or more at the date of Admission.
- 17.7 The Company made the following payments in the preceding 12 months:
- (a) the Company paid Morgans Corporate Limited an underwriting fee for the 2015 issue of A\$220,647.24 and a management fee of A\$55,161.81 (together with any applicable GST).
  - (b) the Company paid Integra Advisory Partners an advisory fee for the 2015 non renounceable rights issue of A\$60,677.99 (including GST).

## **18. COPIES OF THIS DOCUMENT**

Copies of this document will be available to the public free of charge at registered office of the Company at 210 Alice Street Brisbane, Queensland 4000, Australia and from the offices of Memery Crystal LLP, 44 Southamton Buildings, London WC2A 1AP, United Kingdom during normal business hours on any weekday (other than Saturdays, Sundays and public holidays), for a period of at least one month from the date of Admission. This document will also be available for download from the Company's website at [www.tlouenergy.com](http://www.tlouenergy.com).

Dated: 27 October 2015





**TLOU ENERGY**

**Tlou Energy Limited**

210 Alice Street  
Brisbane QLD 4000  
Australia

Phone: +61 7 3012 9793  
Fax: +61 7 3003 0675  
Email: [info@tlouenergy.com](mailto:info@tlouenergy.com)

[www.tlouenergy.com](http://www.tlouenergy.com)