TLOU ENERGY

Annual Report **2012**

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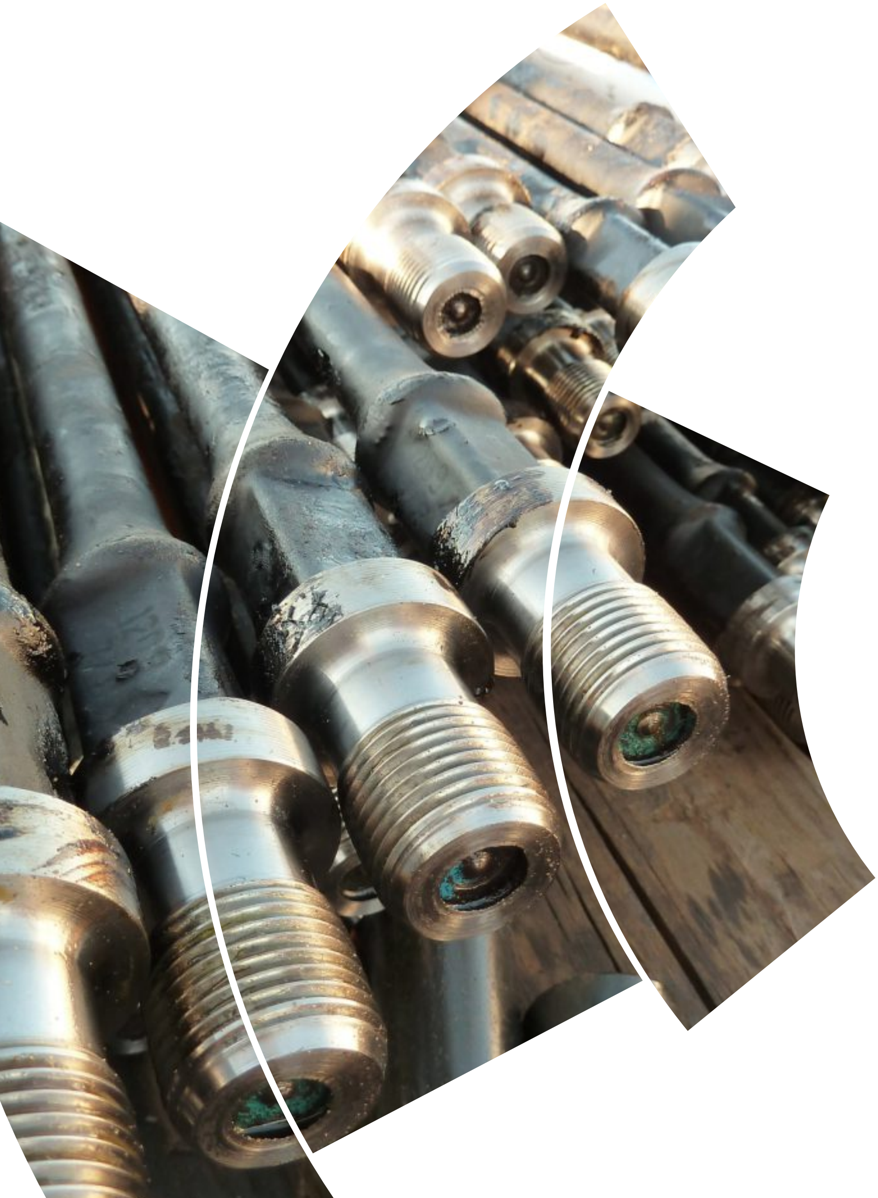

CORPORATE DIRECTORY

ABN

79 136 739 967

Directors

Nathan Mitchell
Christopher Pieters
Anthony Gilby
Martin McIver
Stuart Comline
Henri van Rooyen

Company Secretary

Stephen Rodgers

Administration & Registered Office

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Brisbane QLD 4000
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Email: info@tlouenergy.com

Solicitors

Porter Davies
Level 5 River Quarter
46 Edward Street
Brisbane QLD 4000

Auditors

BDO East Coast Partnership (formerly PKF East Coast Practice)
Level 10
1 Margaret St
Sydney NSW 2000

CHAIRMAN'S LETTER

Dear Shareholders,

The past year has been an exciting year of growth for Tlou, in both existing Botswanan projects and establishing entries into new acreage positions.

Tlou has achieved its first 2C contingent resource position in the Karoo Central project in Botswana. Favourable exploration and early stage pre-pilot results have enabled Tlou to secure their maiden contingent resource position of 152 BCF of 2C and 2,322 BCF of 3C contingent resources. Ongoing pilot work will increase this 2C resource in a stepwise manner.

Tlou has acquired a 49% shareholding in Exporien Mining, who own two exploration tenements and one application in the mid-Zambezi basin of Zimbabwe. Tlou have conducted significant desktop work assessing Coalbed Methane (CBM) prospective areas across the southern African region and regards the Zimbabwe tenement position as highly prospective for CBM.

In addition, Tlou has been active in pursuing other growth opportunities across southern Africa, and has lodged applications for a prospective portion of the Selous Basin, Tanzania. Applications are currently lodged with the government regulator, covering up to 66,000 km^2. Applications for new tenements in Botswana have also been lodged with the relevant Government body.

Whilst pursuing growth opportunities for the company, Tlou has been active in its existing keynote projects in Karoo Central and West.

The Mopani pre-pilot wells in Karoo Central have been completed, with pumping established in November 2011, and first gas production observed shortly after. This is a testament to the favourable CBM characteristics of the reservoirs in this area, and is a positive signal for future pilot trials. These favourable initial results have been instrumental in establishing a 2C contingent resource for the Karoo Central project.

Ongoing reservoir monitoring and analysis will be continued at the Mopani pre-pilot locations into 2013, and will underpin a pilot well optimisation design for future development across Karoo Central.

Exploration in Karoo West is ongoing, with an exploration drilling programme completed in August this year. Further exploration programmes will be conducted in the next phase to mature the prospective resource in this project area into a contingent resource, in much the same way as has been achieved in the geographically adjacent Karoo Central area.

Tlou is confident the upcoming period will reveal increased shareholder wealth through the continuation of the Karoo Central project development, and the maturing of exploration and new venture opportunities.

Tlou is intending to list on the ASX via an initial Public Offering (IPO) to be conducted in late 2012. This will return significant value to shareholders and position Tlou to extend the appraisal and field development operations well into the next phase.

Yours faithfully,

Nath Mitchell

Nathan Mitchell
Chairman

Tlou has made significant progress on its Botswanan CBM portfolio over the last 12 months. The company has been active in the Mopani pre-pilot area within Karoo Central, with work-over and production testing operations conducted.

The Mopani 1P and 2P wells (drilled in 2011) have been completed with downhole pumps and gauges. Appropriate surface facilities have also been installed for production testing. The wells are undergoing a series of production, shut-in and build-up cycles, in order to establish in-situ reservoir properties. Offset monitoring wells have been reading the pressure communication through the reservoir, with favourable results being received.

International resource certifiers, NSAI, completed a review of Tlou's technical data and have established a 2C contingent resource in the vicinity of the pre-pilot wells and 3C in the remainder of the PL001 and PL002 tenements. The establishment of a 2C contingent resource is a significant milestone for the Karoo Central project area.

Tlou has also been active in exploration in the Karoo West project area, with the completion of a two well exploration drilling programme in August 2012. Tlou's Karoo West area is vastly under explored and has potential to hold a significant CBM resource in an area adjacent the Karoo Central project.

Results

Pre-Pilot appraisal and evaluation

Tlou has been encouraged by the recent results from the Mopani pre-pilot well programme. Mopani 1P and Mopani 2P wells were drilled in the central part of the PL001 and PL002 tenements, with nearby monitoring wells Mopani 1M and Mopani 2M drilled 350m offset. The objective of this programme was to evaluate reservoir properties on a field scale.

Well testing has been ongoing at the Mopani project area since November 2011, with numerous production and build-up cycles being conducted. Reservoir engineering studies have confirmed lateral connectivity of the CBM reservoirs away from the pilot wells, which is an important factor in determining an optimum completion technique.

The Mopani pre-pilot wells were drilled and completed using under-reaming techniques. The reservoirs in the Mopani wells were not stimulated and, as expected, gas and water rates are modest. This pre-pilot programme has provided the company with information to conduct further well production testing scheduled into 2013.

Karoo West Exploration

The Karoo West area is to the west of the Karoo Central area, and is comparably under explored. Two stratigraphic exploration chip holes, K5-1 and M1-1 were drilled by Tlou in 2012. These wells were positioned to assess stratigraphic and structural control in the westernmost portion of the Karoo West area.

The area is geologically controlled by the Lephephe low, a broad structural sub-basin within the Karoo Kalahari basin as defined by regional geophysics.

The K5-1 well reached a total depth of 520m in the Jurassic section, above the coal measures. The Jurassic strata were considerably thicker than pre-drill estimates with onsite drilling equipment unable to penetrate the entire section. The well has been suspended and will be considered for deepening through to the Permian coal section in the upcoming exploration programme where more suitable drilling equipment will be employed.

The M1-1 exploration chip hole reached a total depth of 651m and penetrated the entire Permian Ecca formation. The wireline logs indicate a thick sequence of coal and carbonaceous shales which can be correlated with coals in the Karoo Central project area.

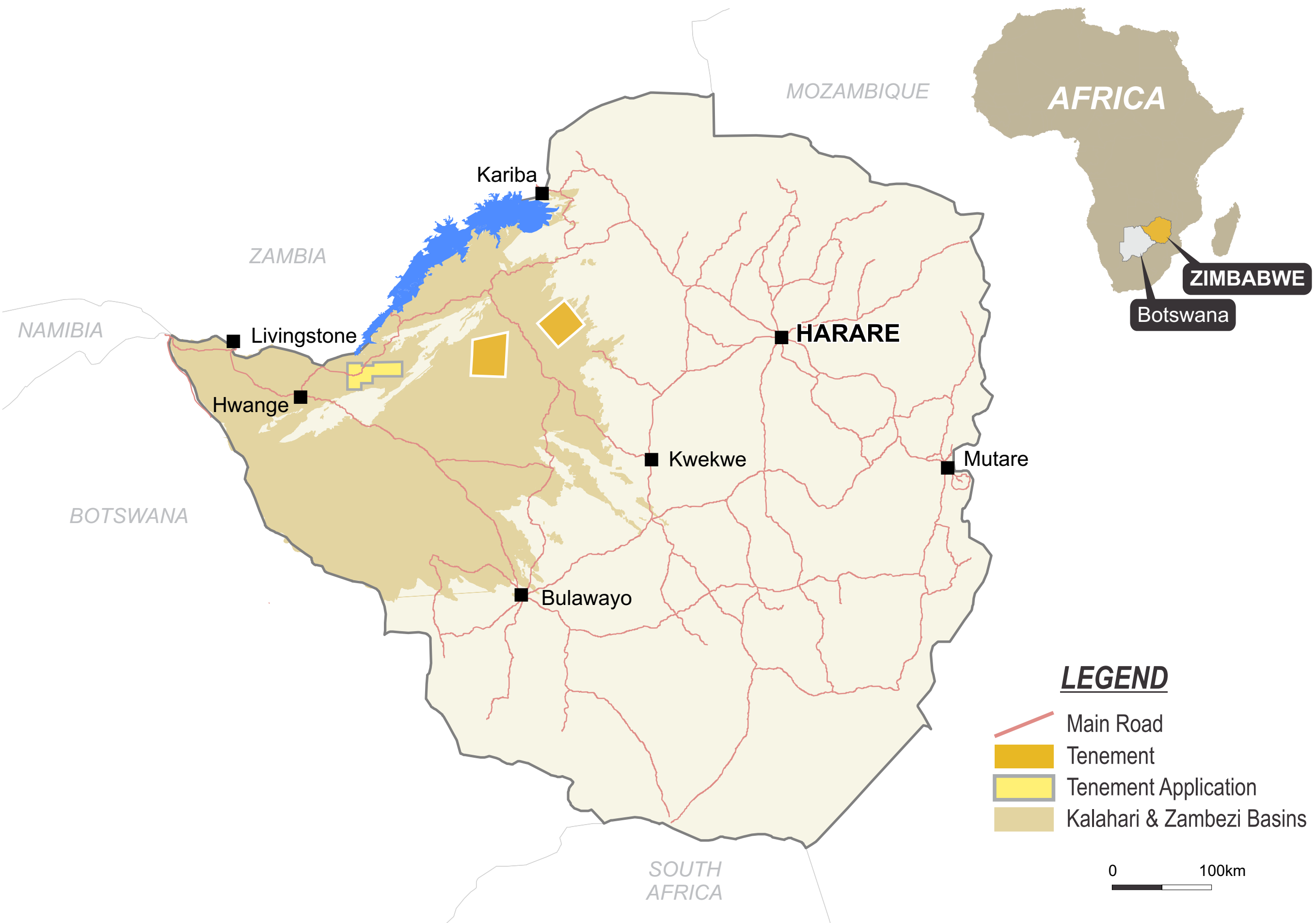
The exploration results from the Karoo West area have supported the potential for CBM prospectivity in the licence area, confirming a future growth opportunity.

Zimbabwe Tenements

Tlou has previously reviewed the historical CBM and coal exploration activity in Zimbabwe, and believes that considerable CBM potential exists.

During the last year, Tlou acquired an operating interest in two CBM Special Grant Licences and an application area in Zimbabwe covering approximately 3,000km^2, through a 49% interest in the Zimbabwe registered entity, Exporien Mining (Private) Limited.

The Special Grant Licences are contained within the Mid-Zambezi basin, an eastern extension of the Karoo-Kalahari basin of Botswana. The Mid-Zambezi basin contains a 20-40 kilometre wide coal belt stretching from Hwange in the West to Sengwe in the East. This area has been relatively well explored for minerals, particularly opencast mining deposits. CBM discoveries have been reported from the Hwange, Lubimbi and Lupane areas of the Matabeleland North Province, the Sengwe area of Gokwe and Chiredzi.



New Application Areas

Tlou's expansion into new areas is gaining momentum, with a number of applications being lodged over the past 12 months. Regional scoping studies conducted by the company have identified potentially significant CBM exploration opportunities in several countries within southern Africa.

Tlou Energy has recently made an application for prospective CBM acreage in Tanzania. The applications reside in the Selous basin, consisting of four contiguous applications, covering approximately 66,000 km^2. The applications were lodged with Tanzania Petroleum and Development Corporation (TPDC) in May 2012. The TPDC are currently reviewing the submission, and are expected to respond to Tlou in the near term.

The Selous basin is the largest onshore Karoo basin in Tanzania, and is time equivalent to the Karoo Kalahari basin in Botswana and the main Karoo basin in South Africa. The Selous basin is under-explored for hydrocarbons with only two deep hydrocarbon wells drilled in its interior.

Tlou has also made an application for two tenement areas adjacent to Tlou's existing acreage in the Karoo Kalahari basin, Botswana.

In early 2012, Tlou formally lodged an application for a vacant tenement parcel referred to as Karoo South. The Karoo South area is directly south of the Karoo Central area and resides largely inside the eastern portion of the Lephephe low, a sub basin within the larger Karoo-Kalahari basin. Regional mapping based on aeromagnetic, gravity and nearby shallow coal exploratory drilling data, suggests a deepening of the sub-basin from the fringes of the basin in the east and south, towards the centre and west of the application area. Numerous shallow boreholes have been drilled immediately to the south of the application area in pursuit of mineable coal targets. Tlou has reviewed the coal exploration dataset and believes multiple coal horizons are present at depth offering CBM potential.

In June 2012, Tlou lodged an application for a further parcel of vacant land internally referred to as the Mamba Application Area. This area was recently relinquished by a previous tenure holder. Tlou believes the Mamba area holds the down dip extension to the confirmed gas resource in Karoo Central.

Both the Karoo South and Mamba applications are currently being reviewed by the Botswana Ministry of Mines, Energy and Water Resources.

Forward Work Programmes

Work programmes will be conducted in all of Tlou's tenement areas over the coming 12 months. The bulk of the work is planned in Tlou's Karoo Central and Karoo West areas, where appraisal operations will continue along with near field exploration.

Work programmes in other areas will be dependent on successful award of applications.

Karoo Central pilot appraisal programme

Tlou's work programme in the Karoo Central area is planned to consist of approximately 15 vertical hydraulically stimulated pilot wells, and 9 horizontally drilled pilot wells. Ongoing studies have defined areas where such completion techniques are applicable inside the current project area.

Horizontal wells will be positioned where saturation, thickness and permeability constraints are appropriate within discrete high productivity reservoir intervals. The aim of the horizontal programme is to maximise recovery from selected thick reservoir intervals.

In addition, vertical hydraulically stimulated wells are planned in areas where the reservoir characteristics consist of multiple CBM productive coal horizons. In vertical wells, the aim is to maximise recovery from numerous stacked reservoir intervals produced from the single wellbore.

Choosing well completion parameters which maximise drainage area and boost gas recovery is an extremely important factor in defining a commercial CBM field. Current studies show that both horizontal and vertical well completion techniques are appropriate to be trialled in the Karoo Central area as part of the pilot programme.

Karoo Central near field exploration programme

Tlou is also planning additional corehole drilling in Karoo Central and has identified 24 potential corehole locations. This in-fill corehole programme will further Tlou's understanding of gas saturation, gas composition and gas content, trends which will further mature the contingent gas resource modelling inside the Karoo Central area.

The wells will be fully evaluated, drilled and sampled in a similar manner to the coreholes drilled in the 2009-2010 drilling programme. This programme will mature contingent resource modelling and ultimately provide a more reliable basis for future field development strategies. Both corehole and pilot well drilling programs in the Karoo Central area may be conducted simultaneously.

Karoo West exploration programme

The Karoo West area in Botswana is at an earlier stage of resource definition than the Karoo Central area. Tlou's recently acquired stratigraphic exploration well results have confirmed the CBM prospectivity in Karoo West. Tlou's forward work programme will consist of drilling and coring operations. This type of exploration will aim to further define the lateral extent of the coal formations as they progress westwards from Karoo Central.

Zimbabwe work programme

The Zimbabwean licences are prospective for CBM given their proximity to known up-dip coal occurrences of Sengwa South, Sessami and Kaonga. The forward work programme for Zimbabwe centres on resource definition and establishing coal continuity away from existing data control.

Tlou's exploration work in Zimbabwe is at an early stage. Desktop studies are in progress and a remote sensing interpretation has been completed for two of the CBM Special Grant Licences (SG 4533 and SG 4535). The results have identified several target areas for future drilling, and a three-phase evaluation approach has been adopted. Progression to each phase will be contingent on results:

- **Phase 1:** desktop evaluation, data compilation and reconnaissance site visits
- **Phase 2:** reconnaissance exploration drilling
- **Phase 3:** infill drilling aimed at project evaluation followed by scoping and feasibility studies

DIRECTOR'S

Nathan Mitchell
Non-Executive Chairman

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

As CEO of Mitchell Drilling, Nathan doubled the size of the company and directed international expansion to Indonesia, India, China, USA and Zambia. After the sale of Mitchell Drilling's Australian operations in August 2008, Nathan incorporated Mitchell Group as a governing company to all existing international operations and future energy sector expansion.

Anthony Gilby
Managing Director and Chief Executive Officer

Experience
Anthony (Tony) Gilby was awarded a Bachelor of Science (First Class Honours) degree in Geology from the University of Adelaide in 1984, and also won the University Medal in Geology. He began his career as a geologist for Delhi Petroleum in the Cooper Basin. He subsequently held positions with Delhi Petroleum and with ESSO (after the Delhi acquisition). His roles included exploration geology, geophysics, petrophysics and working in the Exxon Production Research Centre in Houston.

On his return to Australia, he continued to work with ESSO prior to relocating to Brisbane where he worked for MIM Petroleum and the Louisiana Land and Exploration Company (LL&E). In 1996, he left LL&E to take on a variety of consulting roles as well as the acquisition of prospective Queensland acreage in a private capacity. This work culminated with the founding of Sunshine Gas where he remained Managing Director until its sale for ~$1.1billion in late 2008. He was a founding director of Chartwell Energy Limited until its merger with Comet Ridge Limited.

Anthony is a member of the Petroleum Exploration Society of Australia and the American Association of Petroleum Geologists.

Christopher Pieters
Executive Director

Experience
Chris Pieters is Managing Director and co-founder of Walcot Capital Pty Ltd, a private venture capital business specialising in energy investment. Prior to that he was Chief Commercial Officer of Sunshine Gas Limited where he was a key member of the team that built the company before its takeover by Queensland Gas Company in 2008. Chris also held other technical and business development roles whilst at Sunshine Gas Limited.

Chris holds both Bachelor of Science (Geology) and Bachelor of Business degrees from UQ, and an Honours degree in Petroleum Geology and Geophysics from the Australian School of Petroleum in Adelaide.

Experience
Martin McIver is the General Manager of the Mitchell Group. Prior to this he worked with PricewaterhouseCoopers Corporate Finance team. Martin was also the General Manager for a transport company servicing the Australian mining industry with operations in four states. In total Martin has over 11 years' experience at General Manager and Director levels in mining service companies.

He holds an MBA (International) with honours from the American Graduate School of International Management.

Martin McIver
Non-Executive Director

Experience
Stuart Comline is a geologist with more than 40 years' experience in mineral exploration and mining in a wide range of commodities and operations in Africa, North and South America.

Stuart is the Technical Director at Talon Metals Corp and was the CEO and President until stepping down in May 2011. He was CEO and then Chairman, of AfriOre Limited until it was sold to Lonmin PLC for $495m in 2007. Stuart holds B.Sc. Hons. degree from the University of Natal and M.Sc. degree from the University of Western Ontario.

Stuart Comline
Non-Executive Director

Experience
Henri van Rooyen obtained his Bachelors of Commerce and Bachelors of Commerce (Hon.) degree from the University of Johannesburg in May 1992 and qualified as a CA (SA) thereafter.

Henri is the CEO of Canadian listed entity Talon Metals Corp. Henri was previously with Tau Capital Corp where he was primarily responsible for its new business evaluation process and the implementation of exploration and development programs for mineral projects in countries across Africa and Latin America, including Brazil. Prior to joining Tau Capital, Mr van Rooyen was President & CEO of Groupman, a private company that built the largest silica mine in South Africa, as well as one of South Africa's largest offshore diamond exploration projects.

Henri van Rooyen
Non-Executive Director

Tlou has been active in pursuing other growth opportunities across southern Africa

Directors' report

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Tlou Energy Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at 30 June 2012.

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

Nathan Mitchell	
Christopher Pieters	
Anthony Gilby	
Martin McIver	
Stuart Comline	
Henri van Rooyen	
Deidre Mitchell	(alternate director for Martin McIver, resigned 10 April 2012)
James McKay	(alternate director for Christopher Pieters, resigned 29 February 2012)
Sean Werger	(alternate director for Henri van Rooyen)

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

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

Review and results of operations
The loss for the consolidated entity after providing for income tax amounted to $2,851,345 (30 June 2011: $8,522,456). Financially the most significant matter during the year was the rights issue in late 2011. Operationally this has been a very good year for the Company. The Botswana project has continued with the successful completion of further exploration wells and the Company also achieved certification of its first 2C Contingent Resource. Further details are available in the Annual Review of Operations on pages 2 to 7.

Significant changes in the state of affairs
On 18 October 2011 the consolidated entity issued 6,545,606 shares as part of a rights issue, being a renounceable entitlement offer of two new shares for every 15 shares held.

During the year ended 30 June 2012, there were no other significant changes to the state of affairs of the consolidated entity other than those stated above and disclosed in the financial report and notes thereof.

Matters subsequent to the end of the financial year
On 10 July 2012 at a general meeting of the company the members approved the amendment of the constitution of the Company to comply with the Australian Securities Exchange (ASX) listing requirements. The new Constitution was adopted subject to and with effect from lodgement with ASIC of a Prospectus for the listing of the shares of the Company on the ASX. This will ensure that the Company has a constitution that complies with the requirements of the ASX Listing Rules when, and if, it applies for admission. The current constitution will continue to apply until the time identified above.

On 1 July 2012 the company issued 10,175,000 share options to Directors, staff and consultants. These options vest immediately and expire on 30 April 2016, with an exercise price of $1.25. The estimated financial effect of these options is a charge to equity of $1,500,000 and capitalised expenditure of $70,000.

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

Likely developments and expected results of operations
Information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental regulation

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

Information on Directors

Name and Qualifications

Nathan Mitchell

Special Responsibilities

Non-Executive Chairman

Experience

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

As CEO of Mitchell Drilling, Nathan doubled the size of the company and directed international expansion to Indonesia, India, China, USA and Zambia. After the sale of Mitchell Drilling's Australian operations in August 2008, Nathan incorporated Mitchell Group as a governing company to all existing international operations and future energy sector expansion.

Interest in Shares and options

12,621,212 Ordinary Shares

1,500,000 Share Options

Name and Qualifications

Christopher Pieters B.Sc (Hons) B.Bus

Special Responsibilities

Executive Director

Experience

Chris Pieters is Managing Director and co-founder of Walcot Capital Pty Ltd, a private venture capital business specialising in energy investment. Prior to that he was Chief Commercial Officer of Sunshine Gas Limited where he was a key member of the team that built the company before its takeover by Queensland Gas Company in 2008. Chris also held other technical and business development roles whilst at Sunshine Gas Limited.

Chris holds both Bachelor of Science (Geology) and Bachelor of Business degrees from UQ, and an Honours degree in Petroleum Geology and Geophysics from the Australian School of Petroleum in Adelaide.

Interest in Shares and options

2,524,241 Ordinary Shares

2,000,000 Share Options

Name and Qualifications

Anthony Gilby B.Sc. (First Class Honours)

Special Responsibilities

Managing Director and Chief Executive Officer

Member of the Audit Committee

Experience

Anthony (Tony) Gilby was awarded a Bachelor of Science (First Class Honours) degree in Geology from the University of Adelaide in 1984, and also won the University Medal in Geology. He began his career as a geologist for Delhi Petroleum in the Cooper Basin. He subsequently held positions with Delhi Petroleum and with ESSO (after the Delhi acquisition). His roles included exploration geology, geophysics, petrophysics and working in the Exxon Production Research Centre in Houston.

On his return to Australia, he continued to work with ESSO prior to relocating to Brisbane where he worked for MIM Petroleum and the Louisiana Land and Exploration Company (LL&E). In 1996, he left LL&E to take on a variety of consulting roles as well as the acquisition of prospective Queensland acreage in a private capacity. This work culminated with the founding of Sunshine Gas where he remained Managing Director until its sale for ~$1.1billion in late 2008. He was a founding director of Chartwell Energy Limited until its merger with Comet Ridge Limited.

Anthony is a member of the Petroleum Exploration Society of Australia and the American Association of Petroleum Geologists.

Interest in Shares and options

5,048,485 Ordinary Shares

4,000,000 Share Options

Name and Qualifications

Martin McIver

Special Responsibilities

Chairman of the Audit Committee

Experience

Martin McIver is the General Manager of the Mitchell Group. Prior to this he worked with PricewaterhouseCoopers Corporate Finance team. Martin was also the General Manager for a transport company servicing the Australian mining industry with operations in four states. In total Martin has over 11 years' experience at General Manager and Director levels in mining service companies.

He holds an MBA (International) with honours from the American Graduate School of International Management.

Interest in Shares and options

250,000 Share Options

Name and Qualifications

Stuart Comline B.Sc (Hons) Geology, M.Sc Geology

Special Responsibilities

None

Experience

Stuart Comline is a geologist with more than 40 years' experience in mineral exploration and mining in a wide range of commodities and operations in Africa, North and South America.

Stuart is the Technical Director at Talon Metals Corp and was the CEO and President until stepping down in May 2011. He was CEO and then Chairman, of AfriOre Limited until it was sold to Lonmin PLC for $495m in 2007. Stuart holds B.Sc. Hons. degree from the University of Natal and M.Sc. degree from the University of Western Ontario.

Interest in Shares and options

21,857,142 Ordinary Shares, held by Talon Metals Corp

4,945,055 Share Options, held by Talon Metals Corp

250,000 Share Options

Name and Qualifications

Henri van Rooyen B. Com, B. Com (Hons), C.A.

Special Responsibilities

Member of the Audit Committee

Experience

Henri van Rooyen obtained his Bachelors of Commerce and Bachelors of Commerce (Hon.) degree from the University of Johannesburg in May 1992 and qualified as a CA (SA) thereafter. Henri is the CEO of Canadian listed entity Talon Metals Corp. Henri was previously with Tau Capital Corp where he was primarily responsible for its new business evaluation process and the implementation of exploration and development programs for mineral projects in countries across Africa and Latin America, including Brazil. Prior to joining Tau Capital, Mr van Rooyen was President & CEO of Groupman, a private company that built the largest silica mine in South Africa, as well as one of South Africa's largest offshore diamond exploration projects.

Interest in Shares and options

21,857,142 Ordinary Shares, held by Talon Metals Corp

4,945,055 Share Options, held by Talon Metals Corp

250,000 Share Options

Name and Qualifications

Deidre Mitchell

Special Responsibilities

Alternate Director for Martin McIver (resigned 10 April 2012)

Experience

Deidre has enjoyed a long and successful career in the resource industry over the past four decades. As a founding director of Mitchell Drilling in 1969, Deidre was responsible for the total administration of the business. Her extensive insight into the industry is the result of her participation in all facets of the business during those years, ranging from work in the field to head office management. In Mitchell Drilling's formative years, Deidre's conscientious approach to financial management and administration allowed the fledging company to ride out the cycles of the 70's and 80's and emerge in the mid 2000's as the largest privately owned drilling contractor in Australia.

Whilst Deidre was a director, Mitchell Drilling grew to turnover in excess of $100 million per annum and became a leading participant in the CBM industry.

Interest in Shares and options

None

Name and Qualifications

James McKay B.Com, LL.B

Special Responsibilities

Alternate Director for Christopher Pieters (Resigned; 29 February 2012)

Experience

James McKay has a strong commercial background, with sound finance, investment markets, business management and legal expertise. He holds degrees in commerce and law from the University of Queensland.

James is Executive Chairman of Walcot Capital. Walcot Capital was founded in 2009 as a venture capital business specialising in early stage commodity investments. The firm's mandate is the identification of, and investment in, international resource assets. James is the former Chairman of successful coalbed methane explorer Sunshine Gas Limited, having overseen that company's growth to join the ranks of Australia's top 150 with a market capitalisation approaching $1 billion prior to its merger with Queensland Gas Company. It was a top ten Queensland company and top 150 Australian company by market capitalisation. He is also the Chairman of Comet Ridge Limited, a listed Australian resource company. He is a past president of the Australasian Cemeteries and Crematoria Association, having served on its board for over 8 years.

Interest in Shares and options

5,064,575 Ordinary Shares

Name and Qualifications

Sean Werger LL.B, MBA

Special Responsibilities

Alternate Director for Henri van Rooyen

Experience

Sean joined the Canadian based Tau Capital Group in 2006, and is currently responsible for managing all legal matters for the group, as well as negotiating the acquisition and/or sale of the group's various mineral exploration projects. Previously Sean was a lawyer with Lax O'Sullivan Scott LLP, which is a litigation firm based in Toronto, Canada. As a lawyer, his practice included a variety of complex corporate and commercial litigation matters. Sean obtained his LL.B and MBA degrees from Osgoode Hall Law School and Schulich School of Business, respectively. Sean is a member of the Ontario Bar Association.

Interest in Shares and options

None

Remuneration Report - audited

This report outlines the remuneration arrangements in place for the key management personnel and executives of the Company.

Remuneration policy

The Company does not have a dedicated Remuneration Committee. Ensuring that the level of Director and Executive remuneration is sufficient and reasonable is dealt with by the full Board. The Remuneration Policy of Tlou Energy has been designed to align the objectives of key management personnel and executives with shareholder and business objectives. The Board of Tlou Energy Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel and executives to run and manage the Group, as well as create goal congruence between key management personnel, executives and shareholders.

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

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

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

Key management personnel including Non-executive Directors and employed executives receive the superannuation guarantee contribution required by the Commonwealth Government, which is currently 9% and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

Non-executive Director Remuneration

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

The maximum aggregate amount of fees that can be paid to Non-executive Directors is subject to approval by shareholders at the Annual General Meeting. The latest determination was at a General Meeting held on 10 July 2012 when shareholders approved an aggregate remuneration of $500,000 per year.

Remuneration Report - audited (continued)

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

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

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

Key management personnel

Directors

Nathan Mitchell	Non-executive Chairman
Christopher Pieters	Executive Director
Anthony Gilby	Managing Director & Chief Executive Officer
Martin McIver	Non-executive Director
Stuart Comline	Non-executive Director
Henri van Rooyen	Non-executive Director
Deidre Mitchell	Alternate director for Martin McIver, resigned 10 April 2012
James McKay	Alternate director for Christopher Pieters, resigned 29 February 2012
Sean Werger	Alternate director for Henri van Rooyen

Executives

Stephen Rodgers	Company Secretary	
Glen Smith	Chief Operating Officer	
Don Langdon	Chief Financial Officer	Appointed 1 March 2012
Colm Cloonan*	Group Financial Controller	
Bruce Jagga	Chief Financial Officer	Resigned, 4 February 2011

* included under key management personnel at 30 June 2011 only.

There were no other key management personnel of the Group at 30 June 2012.

Remuneration Report - audited (continued)

Details of remuneration

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

Benefits and Payments for the Year Ended 30 June 2012

	Short-term benefits		Post Employment			Share based payments		
	Salary & Fees	Cash Bonus	Superannuation	Termination Benefits	Total Cash Remuneration	Options	Options as a % of Total Remuneration	Total
Directors	$	$	$	$	$	$		$
N Mitchell	48,000	-	4,320	-	52,320	-	-	52,320
C Pieters	132,500	-	4,320	-	136,820	-	-	136,820
A Gilby	216,000	-	4,320	-	220,320	-	-	220,320
M McIver	48,000	-	4,320	-	52,320	-	-	52,320
S Comline	52,320	-	-	-	52,320	-	-	52,320
H van Rooyen	26,160	-	-	-	26,160	-	-	26,160
D Mitchell	-	-	-	-	-	-	-	-
J McKay	-	-	-	-	-	-	-	-
S Werger	26,160	-	-	-	26,160	-	-	26,160
Total Directors	549,140	-	17,280	-	566,420	-		566,420
Executives								
S Rodgers	168,057	-	-	-	168,057	-	-	168,057
G Smith	399,840	-	-	-	399,840	89,820	18%	489,660
D Langdon	13,046	-	-	-	13,046	-	-	13,046
Total Executives	580,943	-	-	-	580,943	89,820		670,763
Total	1,130,083	-	17,280	-	1,147,363	89,820		1,237,183

During the 2012 year, no proportion of the remuneration of any key management personnel or executive was performance based. No key management personnel or executive received cash bonuses or performance related bonuses during the current year.

Remuneration Report - audited (continued)

Benefits and Payments for the Year Ended 30 June 2011

	Short-term benefits		Post Employment			Share based payments		
Directors	**Salary & Fees $**	**Cash Bonus $**	**Superannuation $**	**Termination Benefits $**	**Total Cash Remuneration $**	**Options $**	**Options as a % of Total Remuneration**	**Total $**
N Mitchell	48,000	-	4,320	-	52,320	-	-	52,320
C Pieters	48,000	-	4,320	-	52,320	-	-	52,320
A Gilby	48,000	-	4,320	-	52,320	-	-	52,320
M McIver	38,000	-	3,420	-	41,420	-	-	41,420
S Comline	30,520	-	-	-	30,520	-	-	30,520
H van Rooyen	23,980	-	-	-	23,980	-	-	23,980
D Mitchell	10,000	-	900	-	10,900	-	-	10,900
J McKay	-	-	-	-	-	-	-	-
S Werger	6,540	-	-	-	6,540	-	-	6,540
Total Directors	253,040	-	17,280	-	270,320	-		270,320
Executives								
S Rodgers	157,006	-	-	-	157,006	-	-	157,006
G Smith	279,079	-	-	-	279,079	186,282	40%	465,361
C Cloonan	63,333	-	5,700	-	69,033	36,803	35%	105,836
B Jagga	209,294	-	15,208	-	224,502	159,783	42%	384,285
Total Executives	708,712	-	20,908	-	729,620	382,868		1,112,488
Total Key Management	961,752	-	38,188	-	999,940	382,868		1,382,808

During the 2011 year, no proportion of the remuneration of any key management personnel or executive was performance based.

Service agreements

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

Stephen Rodgers	Company Secretary
Term of Agreement:	Mr Rodgers services are provided through his professional services Company, Cuirass Pty Ltd. The agreement has no fixed term.
Base Fee:	Based on the agreed hourly rate the estimated annual cost to the Group is approximately $160,000.
Termination Benefit:	No termination benefit is payable if terminated for cause.
Termination Notice:	The Company may give the Company Secretary's consulting entity, Cuirass Pty Ltd, thirty (30) days notice of its intention to terminate the Agreement.

Remuneration Report - audited (continued)

Glen Smith	Chief Operating Officer
Term of Agreement:	Mr Smith's services are provided through his professional services Company, Geopco Pty Ltd. The agreement has no fixed term.
Base Fee:	Based on the agreed hourly rate, loaded to include relocation to Johannesburg, the estimated annual cost to the Group is approximately $400,000.
Termination Benefit:	No termination benefit is payable if terminated for cause.
Termination Notice:	The Company may give the Chief Operating Officer's consulting entity, Geopco Pty Ltd, ninety (90) days notice of its intention to terminate the Agreement.

Don Langdon	Chief Financial Officer (Appointed 1 March 2012)
Term of Agreement:	Mr Langdon's services are provided through his professional services Company, Laguna Capital Pty Ltd. The agreement has no fixed term.
Base Fee:	Based on the agreed hourly rate the estimated annual cost to the Group is approximately $50,000.
Termination Benefit:	No termination benefit is payable if terminated for cause.
Termination Notice:	The Company may give the Chief Financial Officer's consulting entity, Laguna Capital Pty Ltd, five (5) days notice of its intention to terminate the Agreement.

Share-based compensation

Share based payments amounting to $109,573 (2011 $382,868) were expensed during the year. This relates to share options issued to key management personnel in 2011 which have been expensed across the term of the options.

The following options over shares in Tlou Energy Limited were granted to key management personnel during the year ended 30 June 2011.

	Grant Date	Number of Options	Date Vested and exercisable	Expiry Date	Exercise Price	Value at Grant date	Performance Achieved	% Vested
B Jagga	20/07/2010	250,000	20/07/2010	20/07/2013	1.00	0.64	n/a	100%
G Smith	15/04/2011	250,000	15/04/2012	14/04/2014	1.25	0.6	n/a	100%
G Smith	15/04/2011	250,000	15/04/2012	14/04/2014	2.00	0.5	(i)	100%
C Cloonan	1/02/2011	50,000	30/06/2011	30/06/2014	1.00	0.64	n/a	100%
C Cloonan	1/02/2011	50,000	1/07/2012	30/06/2014	2.00	0.5	n/a	0%

(i) The options vested upon the receipt by the Company of an independent certification of 2C resources.

The fair value of options at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free rate for the term of the option.

Options and Rights Granted

No Key Management Personnel were granted any options and rights during the current year.
No ordinary shares were issued during the current financial year as a result of the exercise of options by key management personnel.

(End of Remuneration Report)

Company secretary

Mr Stephen Rodgers was appointed Company Secretary on 11 August 2009 and continues in office at the date of this report.

Stephen Rodgers is a lawyer with over 20 years' experience and holds a Bachelor of Laws degree from QUT. After practicing law with several firms in Brisbane over a 12 year period, he then operated his own specialist commercial and property law practice for seven years. Stephen then joined the successful team at Sunshine Gas Limited, where he was the in-house Legal and Commercial Counsel, a broad role which also included assisting the Company Secretary with many of the facets of that position. Since 2007, Stephen has been the Company Secretary of Chartwell Energy Limited (now a subsidiary of Comet Ridge Limited), a position which he continues to hold. He is also Company Secretary of Walcot Capital Pty Ltd.

Meetings of directors

The number of meetings of the consolidated entity's Board of Directors and of each board committee held during the year ended 30 June 2012, and the number of meetings attended by each Director were:

	Full Board		Audit Committee	
	Attended	Held	Attended	Held
Nathan Mitchell	6	6	-	-
Christopher Pieters	6	6	-	-
Anthony Gilby	6	6	2	2
Martin McIver	6	6	2	2
Stuart Comline	5	6	-	-
Henri van Rooyen	4	6	-	2
Deidre Mitchell	0	5	-	-
James McKay	2	4	-	-
Sean Werger	6	6	2	2

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

Shares under option

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

Grant date	Expiry date	Exercise price	Number under option
20/07/2010	20-Jul-13	\$1.00	250,000
29/11/2010	30-Jun-13	\$1.25	4,945,055
15/04/2011	14-Apr-14	\$1.25	250,000
15/04/2011	14-Apr-14	\$2.00	250,000
1/02/2011	30-Jun-14	\$1.00	50,000
1/02/2011	30-Jun-14	\$2.00	50,000
1/07/2012	30-Apr-16	\$1.25	10,175,000

Shares issued on the exercise of options

There were no ordinary shares of Tlou Energy Limited issued during the year ended 30 June 2012 on the exercise of options granted.

Indemnity and insurance of officers

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

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

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

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

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

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

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out along with the financial report.

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

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

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

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

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

	2012	**2011**
	$	$
Audit services		
Auditing or reviewing the financial statements	**39,000**	39,000
Non-audit services		
Tax consulting and compliance services	**24,889**	6,300
Investigating accountant's report	**25,000**	-

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the *Corporations Act 2001.*

On behalf of the Directors

Anthony Gilby
Director

Brisbane
7 September 2012

FINANCIALS 2012

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Level 10, 1 Margaret St
Sydney NSW 2000
Australia

DECLARATION OF INDEPENDENCE BY ALBERT LOOTS TO THE DIRECTORS OF TLOU ENERGY LIMITED

As lead auditor of Tlou Energy Limited for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

Albert Loots
Partner

BDO East Coast Partnership

Brisbane, 7 September 2012

Statement of Comprehensive Income
for the year ended 30 June 2012

	Note	Consolidated 2012 $	Consolidated 2011 $
Revenue	3	**684,269**	201,093
Expenses			
Employee benefits expense	3	**(1,063,939)**	(653,030)
Depreciation and amortisation expense		**(210,943)**	(127,734)
Impairment - exploration and evaluation assets		**(242,694)**	(4,891,300)
Impairment - goodwill		**(130,119)**	(419,129)
Foreign exchange gain/(loss)		**268,095**	(1,110,967)
Share options expense		**(109,573)**	(382,868)
Business acquisition related costs		**(33,564)**	(311,217)
Professional fees		**(580,758)**	(312,364)
Corporate expenses		**(38,368)**	(15,579)
Occupancy costs	3	**(158,950)**	(49,941)
Other expenses		**(1,234,801)**	(449,420)
PROFIT/(LOSS) BEFORE INCOME TAX		**(2,851,345)**	(8,522,456)
Income tax	4	**-**	-
PROFIT/(LOSS) FOR THE PERIOD		**(2,851,345)**	(8,522,456)
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations		**(1,551,564)**	(1,864,221)
TOTAL OTHER COMPREHENSIVE INCOME		**(1,551,564)**	(1,864,221)
TOTAL COMPREHENSIVE INCOME		**(4,402,909)**	(10,386,677)
Loss for the year is attributable to:			
Owners of Tlou Energy Limited		**(2,797,045)**	(7,784,446)
Non controlling interests		**(54,300)**	(738,010)
		(2,851,345)	(8,522,456)
Total comprehensive income/(loss) attributable to:			
Owners of Tlou Energy Limited		**(4,270,867)**	(9,678,695)
Non controlling interests		**(132,042)**	(707,982)
		(4,402,909)	(10,386,677)

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

Statement of Financial Position
as at 30 June 2012

	Note	Consolidated 2012 $	2011 $
CURRENT ASSETS			
Cash and cash equivalents	5	**3,157,485**	5,482,876
Trade and other receivables	6	**99,536**	74,782
Other current assets	7	**618,159**	144,859
TOTAL CURRENT ASSETS		**3,875,180**	5,702,517
NON-CURRENT ASSETS			
Exploration and evaluation expenditure	9	**30,443,857**	28,766,949
Property, plant and equipment	8	**482,563**	764,566
TOTAL NON-CURRENT ASSETS		**30,926,420**	29,531,515
TOTAL ASSETS		**34,801,600**	35,234,032
CURRENT LIABILITIES			
Trade and other payables	10	**1,082,528**	1,157,427
Provisions	11	**190,120**	-
TOTAL CURRENT LIABILITIES		**1,272,648**	1,157,427
NON-CURRENT LIABILITIES			
Deferred tax liabilities	12	**3,485,958**	3,485,958
Provisions	11	**53,078**	248,750
TOTAL NON-CURRENT LIABILITIES		**3,539,036**	3,734,708
TOTAL LIABILITIES		**4,811,684**	4,892,135
NET ASSETS		**29,989,916**	30,341,897
EQUITY			
Contributed equity	13	**42,178,814**	38,279,564
Reserves	14	**(646,128)**	718,121
Accumulated losses	15	**(10,744,851)**	(7,947,806)
Equity attributable to the owners of Tlou Energy Limited		**30,787,835**	31,049,879
Non-controlling interest	16	**(797,919)**	(707,982)
TOTAL EQUITY		**29,989,916**	30,341,897

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

Statement of Changes in Equity
for the year ended 30 June 2012

	Contributed Equity $	Share Based Payments Reserve $	Foreign Currency Translation Reserve $	Accumulated Losses $	Non-controlling interest $	Total $
Consolidated						
Balance at 1 July 2010	18,993,850	-	66,963	(163,360)	-	18,897,453
Loss for the period	-	-	-	(7,784,446)	(738,010)	(8,522,456)
Other comprehensive loss for the period	-	-	(1,894,249)	-	30,028	(1,864,221)
Total comprehensive loss for the period	-	-	(1,894,249)	(7,784,446)	(707,982)	(10,386,677)
Transactions with owners in their capacity as owners						
Share based payments	-	382,868	-	-	-	382,868
Share option issue	-	2,162,539	-	-	-	2,162,539
Shares issued	19,285,714	-	-	-	-	19,285,714
	19,285,714	2,545,407	-	-	-	21,831,121
Balance at 30 June 2011	38,279,564	2,545,407	(1,827,286)	(7,947,806)	(707,982)	30,341,897
Balance at 1 July 2011	**38,279,564**	**2,545,407**	**(1,827,286)**	**(7,947,806)**	**(707,982)**	**30,341,897**
Profit for the period	**-**	**-**	**-**	**(2,797,045)**	**(54,300)**	**(2,851,345)**
Other comprehensive loss for the period	**-**	**-**	**(1,473,822)**	**-**	**(77,742)**	**(1,551,564)**
Total comprehensive loss for the period	**-**	**-**	**(1,473,822)**	**(2,797,045)**	**(132,042)**	**(4,402,909)**
Transactions with owners in their capacity as owners						
Share based payments	**-**	**109,573**	**-**	**-**	**-**	**109,573**
Shares issued	**3,899,250**	**-**	**-**	**-**	**-**	**3,899,250**
Non-controlling interest on acquisition of subsidiary	**-**	**-**	**-**	**-**	**42,105**	**42,105**
	3,899,250	**109,573**	**-**	**-**	**42,105**	**4,050,928**
Balance at 30 June 2012	**42,178,814**	**2,654,980**	**(3,301,108)**	**(10,744,851)**	**(797,919)**	**29,989,916**

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

Statement of Cash Flows
for the year ended 30 June 2012

	Note	Consolidated 2012 $	Consolidated 2011 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		**-**	-
Payments to suppliers and employees (inclusive of GST)		**(2,531,891)**	(1,615,911)
Interest received		**71,879**	151,868
Other receipts		**-**	10,018
GST and VAT received		**289,568**	192,817
NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES	25	**(2,170,444)**	(1,261,208)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for exploration and evaluation assets		**(3,938,239)**	(1,759,909)
Payment for subsidiaries, net of cash acquired		**(298,540)**	(128,275)
Payment for investments		**-**	(2,817,662)
Payment for property, plant and equipment		**(18,582)**	(12,328)
NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES		**(4,255,361)**	(4,718,174)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**3,927,363**	-
Share issue costs		**(28,113)**	-
NET CASH PROVIDED BY FINANCING ACTIVITIES		**3,899,250**	**-**
Net increase/(decrease) in cash held		**(2,526,555)**	(5,979,382)
Cash at the beginning of the period		**5,482,876**	12,540,039
Effects of exchange rate changes on cash		**201,164**	(1,077,781)
CASH AT THE END OF THE PERIOD	5	**3,157,485**	5,482,876

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

Notes to the financial statements

Note 1. Significant accounting policies

Introduction

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

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

210 Alice Street
BRISBANE QLD 4000

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

Operations and principal activities

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

Currency

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

Authorisation of financial report

The financial report was authorised for issue on 7 September 2012.

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

New, revised or amended Accounting Standards and Interpretations adopted

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2011 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

Basis of preparation

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

Compliance with IFRS

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

Historical cost convention

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

Critical accounting estimates

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

Early adoption of standards

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

Note 1. Significant accounting policies (continued)

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

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

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

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

Parent entity information
In accordance with the *Corporations Act 2001* , these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 28.

Accounting Polices

(a) Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Tlou Energy Limited ('company' or 'parent entity') as at 30 June 2012 and the results of all subsidiaries for the year then ended or in the case of subsidiaries acquired during the year, the period then ended. Tlou Energy Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The effects of potential exercisable voting rights are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

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

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. Refer to the 'business combinations' accounting policy for further details. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of comprehensive income and statement of financial position of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Note 1. Significant accounting policies (continued)

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

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

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

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

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

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

(d) Income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses and under and over provision in prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

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

Note 1. Significant accounting policies (continued)

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

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

Other receivables are recognised at amortised cost, less any provision for impairment.

(g) Non-current assets or disposal groups classified as held for sale
Non-current assets and assets of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write down of the non-current assets and assets of disposal groups to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of non-current assets and assets of disposal groups, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current assets. The liabilities of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current liabilities.

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

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

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

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

Note 1. Significant accounting policies (continued)

(h) Investments and other financial assets (continued)

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

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

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

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

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

Plant and equipment	3-7 years

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

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

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

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

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

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

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

(k) Intangible assets
Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangibles are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill
Where an entity or operation is acquired in a business combination, the identifiable net assets acquired are measured at fair value. The excess of the fair value of the cost of the acquisition over the fair value of the identifiable net assets acquired is brought to account as goodwill. Goodwill is not amortised. Instead, goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Note 1. Significant accounting policies (continued)

(l) Impairment of non-financial assets
Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

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

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

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

(o) Borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

(p) Finance costs
Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred, including:

- interest on the bank overdraft
- interest on short-term and long-term borrowings
- interest on finance leases
- unwinding of the discount on provisions

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

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

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

Note 1. Significant accounting policies (continued)

(q) Provisions (continued)

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

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

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

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

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

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

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

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

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

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

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

(s) Contributed equity
Issued and paid up capital is recognised at the fair value of the consideration received by the consolidated entity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

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

Note 1. Significant accounting policies (continued)

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

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

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

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

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

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

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

(v) Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

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

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

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

(w) Comparative figures
When required by accounting standards comparative figures have been adjusted to conform to changes in presentation for the current financial year. Comparative figures have also been changed where classifications of income and expenditure items have been altered from the prior year as a result of a review by directors. The new classifications have been made to reflect a more accurate view of the consolidated entity's operations.

Note 1. Significant accounting policies (continued)

(x) New Accounting Standards and Interpretations not yet mandatory or early adopted
A number of Australian Accounting Standards and Interpretations have been issued or amended but are not yet mandatory for the 30 June 2012 annual reporting period and have not been early adopted by the consolidated entity for the preparation of these financial statements. The consolidated entity's assessment of the impact of these new or amended Standards and Interpretations, most relevant to the consolidated entity, are set out below:

AASB 9 *Financial Instruments* and AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)*
(effective from 1 January 2015)
This revised standard provides guidance on the classification and measurement of financial assets, which is the first phase of a multi-phase project to replace AASB 139 Financial Instruments: Recognition and Measurement. Under the new guidance, a financial asset is to be measured at amortised cost only if it is held within a business model whose objective is to collect contractual cash flows and the contractual terms of the asset give rise on specified dates to cash flows that are payments solely of principal and interest (on the principal amount outstanding). All other financial assets are to be measured at fair value.

Changes in the fair value of investments in equity securities that are not part of a trading activity may be reported directly in equity, but upon realisation those accumulated changes in value are not recycled to the profit or loss. Changes in the fair value of all other financial assets carried at fair value are reported in the profit or loss.

The full impact of this standard is yet to be fully assessed, but adoption of this standard from 1 January 2015 is not expected to have a material impact on the consolidated entity.

In the second phase of the replacement project, the revised standard incorporates amended requirements for the classification and measurement of financial liabilities. The new requirements pertain to liabilities at fair value through profit or loss, whereby the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than profit or loss. There will be no impact on the consolidated entity's accounting for financial liabilities, as the consolidated entity does not have any liabilities at fair value through profit or loss.

AASB 10 Consolidated Financial Statements
(effective for annual reporting periods beginning on or after 1 January 2013)

Introduces a new definition of "control" and replaces parts of AASB 27 *Consolidated and Separate Financial Statements*. The new definition broadens the situations when an entity is considered to be controlled and is likely to lead to more entities being consolidated.

Control exists when the reporting entity is exposed, or has the rights, to variable returns (e.g. dividends, remuneration, returns that are not available to other interest holders including losses) from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights (e.g. voting rights, potential voting rights, rights to appoint key management, decision making rights, kick out rights) that give it the current ability to direct the activities that significantly affect the investee's returns (e.g. operating policies, capital decisions, appointment of key management). The consolidated entity will not only have to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes.

The consolidated entity is yet to assess the impact of this new standard, if any.

AASB 11 Joint Arrangements
(effective for annual reporting periods beginning on or after 1 January 2013)
Replaces AASB 131 *Interests in Joint Ventures* and uses the principle of control from AASB 10 to define two types of joint arrangements i.e. joint operations and joint ventures.

The standard defines which entities qualify as joint ventures and removes the option to account for joint ventures using proportional consolidation. Joint ventures, where the parties to the agreement have the rights to the net assets will use equity accounting. Joint operations, where the parties to the agreements have the rights to the assets and obligations for the liabilities will account for the assets, liabilities, revenues and expenses separately, using proportionate consolidation. The full impact of this standard is yet to be fully assessed, but adoption of this standard from 1 January 2013 is not expected to have a material impact on the consolidated entity.

AASB 12 Disclosure of Interests in Other Entities
(effective for annual reporting periods beginning on or after 1 January 2013)
Requires disclosure of information pertaining to an entity's interests in subsidiaries, joint arrangement, associates and structures entities, including significant judgements and assumptions made in determining whether it has a controlling or non-controlling interest in another entity and the type of non-controlling interest and the nature of the risks involved. The consolidated entity is yet to assess the impact of this new standard, if any.

Note 1. Significant accounting policies (continued)

(x) New Accounting Standards and Interpretations not yet mandatory or early adopted (continued)

AASB 127 Separate Financial Statements
(effective for annual reporting periods beginning on or after 1 January 2013)
This amended standard deals only with separate financial statements, with the consolidated financial statement requirements having moved to AASB 10. It carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications.

AASB 128 Investments in Associates and Joint Ventures
(effective for annual reporting periods beginning on or after 1 January 2013)
Only limited amendments have been made to this standard including accounting for associates and joint ventures held for sale and changes in interests held in associates and joint ventures.

AASB 13 Fair Value Measurement
(effective for annual reporting periods beginning on or after 1 January 2013)
The new standard replaces the fair value measurement guidance contained in the various standards. It provides guidance on how to determine fair value by defining fair value and providing a single robust measurement framework, but does not change the circumstances when an entity is required to determine and use fair value. It also expands the disclosures required when fair value is used. The consolidated entity is yet to assess whether any of its current measurement techniques will require revision due to the new guidance, however, it is anticipated that disclosures may be more extensive.

AASB 119 Employee Benefits (effective from 1 July 2013)

These amendments introduce various modifications including changes to the measurement of defined benefit plans, change in the timing for recognition of termination benefits and amends the definition of short-term and other long-term employee benefits. The consolidated entity is yet to assess the impact of these amendments, if any.

AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements*
(effective from 1 July 2013)

This amendment proposes the removal of individual key management personnel (KMP) disclosure requirements from AASB124. This is to eliminate replication with the *Corporations Act 2001* and achieve consistency with the international equivalent standard. These amendments will remove the duplication of information relating to individual KMP in the notes to the financial statements and the directors' report. As a result, individual KMP disclosures will be reduced as a result of these amendments, but there will be no impact on the aggregate amounts recognised in the financial statements.

AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective for annual reporting periods beginning on or after 1 January 2013)
The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments make numerous consequential changes to a range of Australian Accounting Standards and Interpretations, following the issuance of AASB 10, AASB 11, AASB 12 and revised AASB 127 and AASB 128. The adoption of these amendments from 1 January 2013 will not have a material impact on the consolidated entity.

AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income
(effective for annual reporting periods beginning on or after 1 July 2012)
The amendments requires consolidating together of items within other comprehensive income on the basis of whether they will eventually be 'recycled' to the profit or loss (reclassification adjustments). The change provides clarity about the nature of items presented as other comprehensive income and the related tax presentation. The adoption of the revised standard from 1 January 2013 will impact the consolidated entity's presentation of its statement of comprehensive income.

AASB 2012-2 Amendments to Australian Accounting Standards - Disclosures Offsetting Financial Assets and Financial Liabilities (effective from 1 January 2013) and **AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities** (effective from 1 January 2014)
The amendments to AASB132 clarify when an entity has a legally enforceable right to set-off financial assets and financial liabilities permitting entities to present balances net on the balance sheet. The amendments to AASB 7 increase the disclosure about offset positions, including the gross position and the nature of the arrangements. The Directors have not yet assessed the impact of the amendments, if any.

AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle
(effective from 1 January 2013)
These amendments introduce various changes to AASBs. The Directors have not yet assessed the impact of the amendments, if any.

Note 2. Critical accounting judgements, estimates and assumptions

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

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

Provision for rehabilitation
The provision for rehabilitation requires a degree of estimation and judgement. The level of provision is assessed by taking into account costs incurred on recent rehabilitation as well as assessing the location and accessibility of each well.

Business combinations
As discussed in note 1, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

Notes to the financial statements (continued)

	Consolidated	
	2012	**2011**
Note 3 - Revenue	**$**	**$**
Loans forgiven	**611,807**	-
Interest	**71,879**	151,868
Hire of equipment	**583**	49,225
	684,269	**201,093**

Note 3 - Expenses

Profit before income tax includes the following specific expenses:

Employee benefits expense		
• Defined	**80,632**	58,546
• Other employee benefits expense	**983,307**	594,484
	1,063,939	653,030
Occupancy costs		
• Rental expense relating to operating leases - minimum lease rentals	**152,452**	49,941
• Other occupancy costs	**6,498**	-
	158,950	49,941
Other expenses include the following specific items:		
• Travel & accommodation costs	**246,126**	74,025
• Management fee	**135,000**	-
• Insurance	**68,145**	39,400
	449,271	113,425

Note 4 - Income Tax

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

Profit/(loss) before income tax	**(2,851,345)**	(8,522,456)
Tax at the domestic tax rates applicable to profits in the country concerned	**(830,736)**	(2,307,407)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable		
• Other non-deductible items	**114,380**	371,537
Benefit obtained from subsidiary joining tax consolidated group		
Previously unrecognised tax losses used to reduce deferred tax expense		
Deferred tax asset not recognised	**716,356**	1,935,870
Income tax expense	**-**	-

Unrecognised temporary differences and tax losses

Net deferred tax assets not brought to account as at 30 June:	**2,721,323**	2,004,967

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

	Consolidated	
	2012	**2011**
Note 5 - Cash and Cash Equivalents	**$**	**$**
Cash on hand	**1,411**	1,275
Cash at bank	**2,597,819**	4,885,682
Cash on deposit	**558,255**	595,919
	3,157,485	5,482,876

Notes to the financial statements (continued)

	Consolidated 2012 $	Consolidated 2011 $
Note 6 - Trade and Other Receivables		
Current		
Other receivables	**1,529**	3,086
GST/VAT receivable	**98,007**	71,696
	99,536	74,782

Note 7 - Other Assets

Prepayments	**147,789**	61,910
Casing	**82,949**	82,949
Prepaid capital raising costs	**387,421**	-
	618,159	144,859

Note 8 - Property, Plant and Equipment

Plant and equipment at cost	**784,956**	892,300
Accumulated depreciation	**(302,393)**	(127,734)
	482,563	764,566

Movements in Carrying Amounts

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

Balance at the beginning of year	**764,566**	12,316
Additions through business combinations	**-**	879,984
Additions	**18,582**	-
Depreciation	**(210,943)**	(127,734)
Foreign exchange movements	**(89,642)**	-
Carrying amount at the end of year	**482,563**	764,566

Note 9 - Exploration and Evaluation Expenditure

Exploration and evaluation expenditure	**30,443,857**	28,766,949
Less: provision for impairment	**-**	-
	30,443,857	28,766,949

Movements in exploration and evaluation phase

Balance at the beginning of period	**28,766,949**	6,949,766
Investment expenditure (i)	**-**	2,139,032
Exploration and evaluation expenditure during the year	**3,617,680**	743,050
Acquired through business combination (ii)	**210,526**	24,388,800
Impairment expense	**(242,694)**	(4,891,300)
Foreign currency translation	**(1,908,604)**	(562,399)
Balance at the end of period	**30,443,857**	28,766,949

(i) Investment expenditure represents exploration and evaluation expenditure incurred during the farm-in period and prior to the acquisition of the entities as detailed in note 29. Prior to the acquisition, expenditure incurred by Tlou in relation to each licence area was considered an investment in each licence holding entity and was therefore classed as Investments in projects in Tlou's prior year financial report.

(ii) The amount acquired through business combination for 2011 has been adjusted following revision of initial recognition of exploration costs on business combination.

Impairment has been recognised in relation to previously capitalised expenditure on licences which have been relinquished by the consolidated entity. These licences were not considered critical to Tlou's future operations. The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phase is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Notes to the financial statements (continued)

Note 10 - Trade and Other Payables	**Consolidated 2012 $**	**Consolidated 2011 $**
Current		
Trade payables	**466,541**	895,407
Accruals	**604,081**	206,956
Other payables	**11,906**	55,064
	1,082,528	**1,157,427**

Note 11 - Provisions		
Current		
Employee benefits	**11,667**	-
Botswana severance	**178,453**	-
	190,120	-
Non-current		
Rehabilitation	**53,078**	227,000
Botswana severance	**-**	21,750
	53,078	248,750
	243,198	248,750

Rehabilitation

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

Employee entitlements

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

Note 12 - Deferred Tax Liability	**Consolidated 2012 $**	**Consolidated 2011 $**
Deferred tax liability	**3,485,958**	3,485,958

The balance of deferred tax liability comprises:

Deferred tax liabilities		
Initial recognition of exploration costs on business combination	**3,485,958**	3,485,958
	3,485,958	3,485,958
Movements		
Opening balance	**3,485,958**	-
Acquisitions during the year	**-**	4,459,714
Revision of initial recognition of exploration costs on business combination	**-**	(973,756)
Closing balance	**3,485,958**	3,485,958

Notes to the financial statements (continued)

Note 13 - Contributed equity	2012 Shares	2011 Shares	Consolidated 2012 $	Consolidated 2011 $
Opening balance	63,785,714	44,500,000	38,279,564	18,993,850
Issue of ordinary shares during the year	6,545,606	19,285,714	3,927,363	19,285,714
Share issue costs	-	-	(28,113)	-
Ordinary shares - fully paid	**70,331,320**	63,785,714	**42,178,814**	38,279,564

Movements in ordinary shares

	Date	Issue price	No of shares	$
Balance	30-Jun-10		44,500,000	18,993,850
Issue of shares	29-Nov-10	1.00	19,285,714	19,285,714
Balance	30-Jun-11		63,785,714	38,279,564
Issue of shares	31-Oct-11	0.60	6,545,606	3,927,363
Share issue transaction costs, net of tax			-	(28,113)
Balance	30-Jun-12		70,331,320	42,178,814

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

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

Options
At 30 June 2012, the following options for ordinary shares in Tlou Energy Limited were on issue:

Number 2012	Number 2011	Exercise Price	% Exercisable 2012	% Exercisable 2011	Expiry Date
250,000	250,000	$1.00	100%	100%	20/07/2013
4,945,055	4,945,055	$1.25	100%	100%	30/06/2013
250,000	250,000	$1.25	100%	100%	14/04/2014
250,000	250,000	$2.00	100%	0%	14/04/2014
50,000	50,000	$1.00	100%	100%	30/06/2014
50,000	50,000	$2.00	0%	0%	30/06/2014
5,795,055	5,795,055				

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

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

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

The group is not subject to externally imposed capital requirements.

Notes to the financial statements (continued)

Note 14 - Reserves	**Consolidated 2012 $**	**Consolidated 2011 $**
Foreign currency translation	**(3,301,108)**	(1,827,286)
Share based payments	**2,654,980**	2,545,407
	(646,128)	718,121
Movements in reserves		
Foreign currency translation reserve		
Opening balance	**(1,827,286)**	66,963
Currency translation differences arising during the year	**(1,473,822)**	(1,894,249)
Closing balance	**(3,301,108)**	(1,827,286)
Share based payments reserve		
Opening balance	**2,545,407**	-
Share options expense	**109,573**	2,545,407
Closing balance	**2,654,980**	2,545,407

Foreign Currency Translation Reserve

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

Share Based Payments Reserve

The share based payments reserve is used to record the expense associated with options granted to employees under equity-settled share based payment arrangements. It is also used to record fair value of options granted for other goods and services as well as acquisition of other assets.

Note 15 - Accumulated losses attributable to Tlou Energy	**Consolidated 2012 $**	**Consolidated 2011 $**
Retained loss at the beginning of the financial year	**(7,947,806)**	(163,360)
Loss after income tax expense for the year	**(2,797,045)**	(7,784,446)
Retained loss at the end of the financial year	**(10,744,851)**	(7,947,806)

Note 16 - Non-controlling interests

Interests in:		
Share capital	**144,599**	22
Reserves	**(54,834)**	30,006
Retained earnings	**(887,684)**	(738,010)
	(797,919)	(707,982)

Notes to the financial statements (continued)

Note 17 - Share-based payments

Employee Share Options

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

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

The expense recognised in the statement of comprehensive income in relation to share based payments amounts to $109,573 (2011: $382,868). The amount assessed as fair value at the grant date of the options is allocated equally over the period from grant date to vesting date. Fair values at grant date are determined using the Monte Carlo method of valuation that takes into account the exercise price, the terms of the option, the vesting and market related criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and the risk of the underlying share and the risk free interest rate for the term of the option.

The following table shows the number, movements and weighted average exercise price of share options outstanding for the 2012 year:

Grant Date	***Expiry date***	***Exercise price***	**Opening Balance July 2011**	**Granted During the Year**	**Exercised During the Year**	**Expired During the year**	**Closing Balance June 2012**	**Vested & Exercisable**
20-Jul-10	20-Jul-13	$1.00	250,000	-	-	-	250,000	250,000
29-Nov-10	30-Jun-13	$1.25	4,945,055	-	-	-	4,945,055	4,945,055
15-Apr-11	14-Apr-14	$1.25	250,000	-	-	-	250,000	250,000
15-Apr-11	14-Apr-14	$2.00	250,000	-	-	-	250,000	250,000
1-Feb-11	30-Jun-14	$1.00	50,000	-	-	-	50,000	50,000
1-Feb-11	30-Jun-14	$2.00	50,000	-	-	-	50,000	-
Total options			5,795,055	-	-	-	5,795,055	5,745,055
Weighted average exercise price			$1.28	-	-	-	$1.28	$1.27

The weighted average remaining contractual life of share options outstanding at the end of the year was 1.1 years.

The following table shows the number, movements and weighted average exercise price of share options issued for the 2011 year:

Grant Date	***Expiry date***	***Exercise price***	**Opening Balance July 2010**	**Granted During the Year**	**Exercised During the Year**	**Expired During the year**	**Closing Balance June 2011**	**Vested & Exercisable**
20-Jul-10	20-Jul-13	$1.00	-	250,000	-	-	250,000	250,000
29-Nov-10	30-Jun-13	$1.25	-	4,945,055	-	-	4,945,055	4,945,055
15-Apr-11	14-Apr-14	$1.25	-	250,000	-	-	250,000	250,000
15-Apr-11	14-Apr-14	$2.00	-	250,000	-	-	250,000	-
1-Feb-11	30-Jun-14	$1.00	-	50,000	-	-	50,000	50,000
1-Feb-11	30-Jun-14	$2.00	-	50,000	-	-	50,000	-
Total options			-	5,795,055	-	-	5,795,055	5,495,055
Weighted average exercise price			-	$1.28	-	-	$1.28	$1.24

The weighted average remaining contractual life of share options outstanding at the end of the year was 2.1 years.

Notes to the financial statements (continued)

Note 17 - Share-based payments (continued)

Fair value of options and performance rights granted

There were no options or performance rights granted during the year ended 30 June 2012.

The assessed fair value at grant date of options granted during the year ended 30 June 2011 were as follows:

Number of Options	Grant Date	Exercise Price Per Option $	Expiration Date	Value Per Option $
250,000	20-Jul-10	$1.00	20-Jul-13	$0.64
4,945,055	29-Nov-10	$1.25	30-Jun-13	$0.44
250,000	15-Apr-11	$1.25	14-Apr-14	$0.60
250,000	15-Apr-11	$2.00	14-Apr-14	$0.50
50,000	1-Feb-11	$1.00	30-Jun-14	$0.64
50,000	1-Feb-11	$2.00	30-Jun-14	$0.50
5,795,055				

The following table lists the inputs to the model used to value the options granted during the year ended 30 June 2011:

Grant date	*Expiry date*	*Cert#*	*at grant date*	*Exercise price*	*Expected volatility*	*Dividend yield*	*Risk-free interest rate*	*Fair value at grant date*
20-Jul-10	20/07/2013	1	$1.00	$1.00	100%	0%	4.68%	$0.64
29-Nov-10	30/06/2013	2	$1.00	$1.25	72%	0%	4.89%	$0.44
15-Apr-11	14/04/2014	3	$1.00	$1.25	100%	0%	5.14%	$0.60
15-Apr-11	14/04/2014	4	$1.00	$2.00	100%	0%	5.14%	$0.50
1-Feb-11	30/06/2014	5	$1.00	$1.00	100%	0%	4.42%	$0.64
1-Feb-11	30/06/2014	6	$1.00	$2.00	100%	0%	4.42%	$0.50

Expenses arising from share-based payment transactions

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

	Consolidated 2012 $	2011 $
Options expensed	**109,573**	382,868

Note 18 - Commitments

(a) Operating lease commitments

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

	2012	2011
Payable - minimum lease payments		
● not later than 12 months	**77,314**	11,834
● between 12 months and 5 years	**129,060**	-
	206,374	11,834

(b) Exploration expenditure

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

	Consolidated 2012 $	2011 $
Minimum expenditure requirements		
● not later than 12 months	**764,024**	3,907,240
● between 12 months and 5 years	**-**	1,099,654
	764,024	5,006,894

Notes to the financial statements (continued)

Note 19 - Financial instruments

Overview

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

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

The group holds the following financial instruments:

	Consolidated	
	2012	**2011**
Financial Assets	**$**	$
Cash and cash equivalents	**3,157,485**	5,482,876
Trade and other receivables	**99,536**	74,782
	3,257,021	5,557,658
Financial Liabilities		
Trade and other payables	**1,082,528**	1,157,427
	1,082,528	1,157,427

Financial risk management objectives

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

Key risks are monitored and reviewed as circumstances change (e.g. acquisition of new entity or project) and policies are created or revised as required. The overall objective of the group's financial risk management policy is to support the delivery of the group's financial targets whilst protecting future financial security.

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

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

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

Notes to the financial statements (continued)

Note 19 - Financial instruments (continued)

(a) Interest rate risk

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

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

Interest rate sensitivity

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

	Profit or loss		Equity	
	1% increase	1% decrease	1% increase	1% decrease
	$	$	$	$
2012 - Consolidated				
Cash and cash equivalents	31,575	(31,575)	31,575	(31,575)
2011 - Consolidated				
Cash and cash equivalents	54,829	(54,829)	54,829	(54,829)

Interest rate risk on other financial instruments is immaterial.

(b) Liquidity risk

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

Ultimate responsibility for liquidity risk management rests with the Board of Directors. The group manages liquidity risk by maintaining adequate reserves and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. This is based on the undiscounted cash flows of the financial liabilities based on the earliest date on which they are required to be paid. At the end of the reporting period the group held cash at call of $3,157,485 (2011: $5,482,876).

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

	Within 1 year	Between 1 & 2 years	Total Contractual Cash Flows	Carrying Amount
Consolidated - 30 June 2012	$	$	$	$
Trade and other payables	1,082,528	-	1,082,528	1,082,528
Consolidated - 30 June 2011				
Trade and other payables	1,157,427	-	1,157,427	1,157,427

(c) Foreign exchange risk

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

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

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

Notes to the financial statements (continued)

Note 19 - Financial instruments (continued)

(c) Foreign exchange risk (continued)

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

	2012 USD $	2012 Pula $	2012 SA Rand $	2011 USD $	2011 Pula $	2011 SA Rand $
Financial Assets						
Cash and cash equivalents	2,274,772	52,486	73,924	4,493,648	284,113	19,836
Trade and other receivables	-	69,831	-	-	254,352	-
Financial Liabilities						
Trade and other payables	(17,688)	(95,426)	-	-	(118,898)	-
Net Financial Instruments	**2,257,084**	**26,891**	**73,924**	**4,493,648**	**419,567**	**19,836**

Foreign currency rate sensitivity

Based on financial instruments held at 30 June 2012, had the Australian dollar strengthened/weakened by 10% the group's profit or loss and equity would be impacted as follows:

	Profit or loss 10% Increase $	Profit or loss 10% Decrease $	Equity 10% Increase $	Equity 10% Decrease $
2012				
US dollar	(227,477)	227,477	(227,477)	227,477
Bw Pula	(5,249)	5,249	(5,249)	5,249
South African Rand	(7,392)	7,392	(7,392)	7,392
2011				
US dollar	(449,365)	449,365	(449,365)	449,365
Bw Pula	(28,411)	28,411	(28,411)	28,411
South African Rand	(1,984)	1,984	(1,984)	1,984

(d) Credit risk

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

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

Credit Risk Exposures

Trade and other receivables

Trade and other receivables comprise primarily of VAT and GST refunds due. Where possible the group trades with recognised, creditworthy third parties. The receivable balances are monitored on an ongoing basis. The group's exposure to bad debts is not significant. At 30 June 2012 $0 (2011: $0) of the group's receivables were past due. The group has no other significant concentration of credit risk.

Cash and cash equivalents, restricted cash and term deposits

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

Notes to the financial statements (continued)

Note 20 - Key Management Personnel

Directors
The following persons were directors of Tlou Energy Limited during the financial year:

Nathan Mitchell	Non-Executive Chairman
Christopher Pieters	Executive Director
Martin McIver	Non-Executive Director
Anthony Gilby	Managing Director & Chief Executive Officer
Stuart Comline	Non-Executive Director
Henri van Rooyen	Non-Executive Director
Deidre Mitchell	Alternate Director; resigned 10 April 2012
James McKay	Alternate Director; resigned 29 February 2012
Sean Werger	Alternate Director

Other key management personnel
The following persons also had the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, during the financial year:

Stephen Rodgers	Company Secretary and Legal Counsel
Glen Smith	Chief Operating Officer
Colm Cloonan	Group Financial Controller
Don Langdon	Chief Financial Officer

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

	Consolidated	
	2012	**2011**
	$	$
Short-term employee benefits	**1,130,083**	961,752
Post-employment benefits	**17,280**	38,188
	1,147,363	999,940
Share based payments	**89,820**	382,868
	1,237,183	1,382,808

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

30 June 2012	**Balance at beginning of year**	**Granted as remuneration during the year**	**Other changes during the year**	**Balance at date of resignation / appointment**	**Balance at end of year**
Directors					
Nathan Mitchell	11,136,364	-	1,484,848	-	12,621,212
Christopher Pieters	2,227,272	-	296,969	-	2,524,241
Anthony Gilby	4,454,546	-	593,939	-	5,048,485
Stephen Rodgers	70,000	-	5,000	-	75,000
James McKay	4,454,546	-	610,029	5,064,575	-
	22,342,728	-	2,990,785	5,064,575	20,268,938

Notes to the financial statements (continued)

Note 20 - Key Management Personnel (continued)

Key management personnel shareholdings (continued)

30 June 2011	Balance at beginning of year	Granted as remuneration during the year	Other changes during the year	Balance at date of resignation / appointment	Balance at end of year
Directors					
Nathan Mitchell	11,136,364	-	-	-	11,136,364
Christopher Pieters	2,227,272	-	-	-	2,227,272
Anthony Gilby	4,454,546	-	-	-	4,454,546
Stephen Rodgers	70,000	-	-	-	70,000
James McKay	4,454,546	-	-	-	4,454,546
	22,342,728	-	-	-	22,342,728

Option holdings

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

30 June 2012	Balance at beginning of year	Granted as remuneration	Options granted / (expired)	Balance at date of resignation / appointment	Balance at end of year	Vested	Unvested
Glen Smith	500,000	-	-	-	500,000	500,000	-
Total	500,000	-	-	-	500,000	500,000	-

30 June 2011	Balance at beginning of year	Granted as remuneration	Options granted / (expired)	Balance at date of resignation / appointment	Balance at end of year	Vested	Unvested
Glen Smith	-	500,000	-	-	500,000	250,000	250,000
Colm Cloonan	-	100,000	-	-	100,000	50,000	50,000
Bruce Jagga	-	250,000	-	-	250,000	250,000	-
Total	-	850,000	-	-	850,000	550,000	300,000

	Consolidated	
	2012	**2011**
Note 21 - Auditors' Remuneration	**$**	$
During the year the following fees were paid or payable for services provided by the auditor of the group:		
Audit services		
Auditing or reviewing the financial statements	**39,000**	39,000
Non-audit services		
Tax consulting and compliance services	**24,889**	6,300
Investigating accountant's report	**25,000**	-

Note 22 - Contingent Liabilities

The Directors are not aware of any contingent liabilities (2011: $nil).

Notes to the financial statements (continued)

Note 23 - Related Party Transactions

Parent entity
The legal parent entity is Tlou Energy Limited.

Subsidiaries
Interests in subsidiaries are set out in note 26.

Key management personnel
Disclosures relating to key management personnel are set out in note 20.

Transactions with subsidiaries:
Transactions between Tlou Energy Limited and its subsidiaries during the year included:

- loans advanced to/repayments from subsidiaries; and
- investments in subsidiaries (refer statement of cash flows).

The loans and investments have been impaired as noted in note 1. The loans to subsidiaries are interest free, repayable in cash at call and are unsecured.

Transactions with related parties	**Consolidated**	
The following transactions occurred with related parties:	**2012**	**2011**
	$	**$**
Payment for goods and services:		
Payment for services from Mitchell Energy group companies (director-related entities of Nathan Mitchell)	**-**	619,624
Payment for services from Walcot Capital Pty Ltd (director-related entity of Christopher Pieters and Anthony Gilby)	**338,110**	372,871
Payment to The Gilby McKay Alice Street Partnership (director-related entity of Anthony Gilby)	**64,394**	40,177

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

Current payables:		
Trade payables to Walcot Capital Pty Ltd (director-related entity of Christopher Pieters)	**8,001**	37,000
Trade payables to Wood Duck Holdings (director-related entity of Christopher Pieters)	**84,500**	-

Loans to/from related parties
There were no loans to or from related parties at the reporting date.

Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates.

Notes to the financial statements (continued)

Note 24 - Segment Reporting

Reportable Segments

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

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

Segment revenue

As at 30 June 2012 no revenue has been derived from its operations (2011: $nil).

Segment assets

All of the non-current assets, with the exception of an immaterial amount of equipment are located in other countries as at 30 June 2012 and 30 June 2011. Segment assets are allocated to countries based on where the assets are located.

		Consolidated	
		2012	**2011**
Note 25 - Cash Flow Information		**$**	$
(a)	**Reconciliation of cash flow from operations**		
	Profit/(Loss) for the period	**(2,851,345)**	(8,522,456)
	Depreciation	**210,943**	127,746
	Share-based payments	**109,573**	382,868
	Impairment charge - exploration and evaluation expenditure	**242,694**	4,891,300
	Impairment of goodwill	**130,119**	419,129
	Net exchange differences	**378,747**	1,061,112
	Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
	Increase/(decrease) in trade and other receivables	**(24,755)**	147,884
	Increase in inventories	**-**	(40,972)
	Decrease in trade payables and accruals	**112,432**	330,871
	Increase in prepayments	**(473,300)**	(58,690)
	Increase in provisions	**(5,552)**	-
	Decrease in deferred tax liability	**-**	-
		(2,170,444)	(1,261,208)

(b) Non-cash financing and investing activities

There were no investing and financing transactions undertaken during the current year that did not require the use of cash or cash equivalents.

Notes to the financial statements (continued)

Note 26 - Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1. Where applicable entities indirectly controlled by Tlou are listed in italics below each directly controlled entity, along with the country of incorporation and the percentage shareholding held by the direct parent:

Name of entity	Country of incorporation	Class of shares	Equity holding %	
			2012	**2011**
Tlou Energy Botswana (Proprietary) Ltd	Botswana	Ordinary	100	100
Z E Australia Pty Ltd	Australia	Ordinary	100	100
Aguia Energy Limitada*	Mozambique	Ordinary	100	100
Technoleads International Inc	Barbados	Ordinary	100	100
- Tlou Energy Exploration (Proprietary) Limited	Botswana	Ordinary	100	100
Sable Energy Holdings (Barbados) Inc	Barbados	Ordinary	100	100
- Tlou Energy Resources (Proprietary) Limited	Botswana	Ordinary	100	100
Mica Investments (Barbados) Inc	Barbados	Ordinary	100	100
- Narren (Proprietary) Limited	Botswana	Ordinary	85	85
Copia Resources Inc	Barbados	Ordinary	100	100
- Tlou Energy Corp Services Botswana (Proprietary) Limited	Botswana	Ordinary	100	100
Apex Resources No. 2 Inc	Barbados	Ordinary	100	100
- Apex Resources Holdings No. 2 Corp	British Virgin Islands	Ordinary	100	100
SK Holdings (Barbados) Inc	Barbados	Ordinary	100	0
- Tlou South Karoo (Proprietary) Limited	Botswana	Ordinary	100	0
Madra Holdings (Barbados) Inc	Barbados	Ordinary	100	0
- Tlou Energy Solutions (Proprietary) Limited	Botswana	Ordinary	100	0
Exporien Mining (Private) Limited	Zimbabwe	Ordinary	49	0

*Aguia Energy Limitada was incorporated on 10 September 2010. Tlou Energy Limited directly holds 66.67% of the ordinary share capital and also controls the other 33.33% which is held by Apex Resources Holdings No. 2 Corp.

Note 27 - Subsequent Events

(a) On 10 July 2012 at a general meeting of the company the members approved the amendment of the constitution of the Company to comply with the Australian Security Exchange (ASX) listing requirements. The new Constitution was adopted subject to and with effect from lodgement with ASIC of a Prospectus for the listing of the shares of the Company on the ASX. This will ensure that the Company has a constitution that complies with the requirements of the ASX Listing Rules when, and if, it applies for admission. The current constitution will continue to apply until the time identified above.

(b) On 1 July 2012 the company issued 10,175,000 share options to Directors and staff. These options vest immediately and expire on 30 April 2016, with an exercise price of $1.25. The estimated financial effect of these options is a charge to equity of $1,500,000 and capitalised expenditure of $70,000.

(c) No other matter or circumstance has arisen since 30 June 2012 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Notes to the financial statements (continued)

Note 28 - Parent entity disclosures

	Parent 2012 $	Parent 2011 $
Current assets	**3,510,357**	5,280,496
Non-current assets	**36,880,620**	32,832,042
Total assets	**40,390,977**	38,112,538
Current liabilities	**979,904**	354,215
Total liabilities	**979,904**	354,215
Net Assets	**39,411,073**	37,758,323
Contributed equity	**42,178,814**	38,279,564
Option reserve	**2,654,980**	2,545,414
Accumulated losses	**5,422,721**	(3,066,655)
Total equity	**50,256,515**	37,758,323
Loss for the period	**2,356,066**	(2,970,258)
Other comprehensive income	**-**	-
Total comprehensive income	**2,356,066**	(2,970,258)

Contingent Liabilities

The Directors are not aware of any contingent liabilities.

Commitments

Operating lease commitments

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

	Parent 2012 $	Parent 2011 $
Payable - minimum lease payments		
● not later than 12 months	**-**	11,834
● between 12 months and 5 years	**-**	-
	-	11,834

Notes to the financial statements (continued)

Note 29 - Acquisition of Subsidiary

(a) Exporien Mining (Private) Limited

Summary of acquisition

In October 2011, Tlou acquired a 49% interest in the Zimbabwe registered entity, Exporien Mining (Private) Limited.

Details of the fair value of the assets and liabilities acquired are as follows:

Assets and liabilities acquired

The assets and liabilities arising from the acquisition are as follows:

	2012 $
Exploration and evaluation assets	210,526
Less: non-controlling interest	(42,105)
Add: goodwill	130,119
Net assets acquired	298,540

Purchase consideration

The purchase consideration for the acquisition comprised the following:

Cash paid - application fees for renewal of exploration licences	298,540

There was no deferred consideration involved with the acquisition.

- Tlou Energy Limited owns 49% of the share capital of Exporien Mining (Private) Limited with 51% held by indigenous Zimbabweans.
- Goodwill on acquisition was impaired in full during the financial year.
- In accordance with Australian accounting standards the non-controlling interest in Exporien has been calculated at 20%.

Non-controlling interest

In accordance with its accounting policy, the group elected to recognise the non-controlling interest in Exporien at its proportionate share of the acquired net identifiable assets.

Revenue and profit contribution

Exporien has generated no revenue for the group since acquisition. Since acquisition, Exporien has incurred a loss of $59,575.

Acquisition related costs

In relation to the acquisition of Exporien, the group incurred expenditure of $33,564 including legal and secretarial costs.

(b) Saber Assets

On 30 November 2010, Tlou acquired part of Saber Energy Inc.'s (SEI) southern African coalbed methane (CBM) assets. The entities acquired are as follows:

Name of entity	Country of incorporation	2011 %	2010 %
Technoleads International Inc.	Barbados	100	0
Sable Energy Holdings Inc.	Barbados	100	0
Mica Investments Inc.	Barbados	100	0
Copia Resources Inc.	Barbados	100	0
Apex Resources No. 2 Inc.	Barbados	100	0

The acquisition of the above entities gives Tlou control over Saber Energy Inc.'s (SEI's) southern African CBM assets, of which Tlou was previously committed to fund by way of a farm-in agreement. No goodwill has been recognised as fair value of consideration transferred equals fair value of net identifiable assets of the acquired companies.

The consideration for acquisition was made up of the following:

- Previous equity interests earned under farm-in of $9,088,798 (of which $6,949,766 was previously recognised as "investments in projects" in the 30 June 2010 financial report)
- Cash paid for initial investment of $1,924
- 19,285,714 shares issued with fair value of $19,285,714, valued at $1 per share consistent with the most recently available price obtained on oversubscribed capital raising in August 2009
- 4,945,055 share options granted with an exercise price of $1.25, expiring 30 June 2013 with a fair value of $2,162,545. Key valuation assumptions are; Volatility 72% and risk free interest rate 4.9%

Notes to the financial statements (continued)

Note 29 - Acquisition of Subsidiary (continued)

(b) Saber Assets (continued)

Major assets received and liabilities assumed are as follows:

	$
Trade and other payables	(1,238,699)
Trade and other receivables	1,343,254
Cash	191,802
Capitalised exploration expenditure (i)	33,477,598
Deferred tax liability (i)	(3,485,958)
Plant and equipment	250,984
Total	30,538,981

A separate transaction was entered into, whereby Tlou acquired further plant & equipment, with an agreed value of $629,000. In return, Tlou agreed to complete rehabilitation work on wells previously drilled by SEI in each of the three licence areas now controlled by Tlou.

In relation to both of the transactions above the consolidated entity incurred expenditure of $311,217 including legal, secretarial, and consultant costs.

Following the acquisition the non-controlling interest in Narren (Proprietary) Limited is 15%. At 30 June 2011 this represents net liabilities of $707,982.

From 1 December 2010 to 30 June 2011 the entities acquired incurred a loss of $5,864,439. In the period from 1 July 2010 to 30 November 2010 the acquired entities had a loss of $1,297,537.

(i) Capitalised exploration expenditure and deferred tax liability values have been adjusted from those figures stated in 2011 following revision of initial recognition of exploration costs on business combination.

(c) Z E Australia Pty Ltd

On 4 February 2011, Tlou acquired Z E Australia Pty Ltd, an Australian registered entity set up to develop assets in Zimbabwe. Tlou had previously funded this entity by way of a loan. On acquisition this loan was deemed consideration for all the shares in Z E Australia Pty Ltd.

	$
Consideration	419,729
Value of shares acquired	(600)
Goodwill on acquisition	419,129

Goodwill on acquisition was impaired in full during the financial year. From 4 February to 30 June 2011 Z E Australia Pty Ltd incurred a loss of $19,095. In the period from 1 July 2010 to 4 February 2011 the loss was $130,224

Directors' declaration

In the Directors' opinion:

- the attached financial statements and notes thereto comply with the *Corporations Act 2001* , the Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;

- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;

- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the financial year ended on that date;

- there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable; and

- the remuneration report as set out in the directors report for the year ended 30 June 2012 comply with section 300A of the *Corporations Act 2001* .

Signed in accordance with a resolution of Directors made pursuant to section 295(5) of the *Corporations Act 2001* .

On behalf of the Directors

Anthony Gilby
Director

Brisbane
7 September 2012

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INDEPENDENT AUDITOR'S REPORT

To the members of Tlou Energy Limited

Report on the Financial Report

We have audited the accompanying financial report of Tlou Energy Limited, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements,* that the financial statements comply with *International Financial Reporting Standards.*

Auditor's Responsibility

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

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

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

Independence

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

Opinion

In our opinion:

(a) the financial report of the consolidated entity is in accordance with the *Corporations Act 2001* , including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001;* and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the consolidated entity incurred a net loss of $2,851,345 during the year ended 30 June 2012 and needs to raise additional funds to continue as a going concern. These conditions along with other matters set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 19 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001.* Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Tlou Energy Limited for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001.*

BDO East Coast Partnership

BDO

Albert Loots
Partner

Brisbane, 7 September 2012

Corporate Governance Statement

The Directors of Tlou Energy Limited (the “Board”) are committed to the implementation of the highest standards of corporate governance. In determining what these standards should be the Board references guidance and supports where appropriate the Corporate Governance Principles and Recommendations with 2010 amendments (2nd Edition) (“Recommendations”) established by the ASX Corporate Governance Council (the “Council”).

The Board guides and monitors the business and affairs of Tlou Energy Limited (“Tlou” or the “Company”) on behalf of the shareholders whom they are accountable to. In preparation for the proposed listing of the Company on the ASX the Board has recently formally adopted a suite of corporate governance policies and charters, copies of which are listed below and will be available on the Company’s revised website which will be launched later this year. This statement contains specific information and discloses the extent to which the Company intends to or is able to follow the ASX recommendations.

The Company’s practices are largely consistent with those of the ASX Guidelines and where they do not follow the recommendation this report identifies those recommendations that have not been followed and details reasons for non-adherence. Even where there is a deviation from the recommendations the Company continues to review and update its policies and practices in order that these keep abreast of the growth of the Company, the broadening of its activities, current legislation and good practice.

The Council’s recommendations are not prescriptive and, if certain recommendations are not appropriate for the Company given its circumstances, it may elect not to adopt that particular practice in limited circumstances. Where the Company’s Corporate Governance practices do not correlate with the practices recommended by the Council, the Company does not consider that the practices are appropriate due to either the size of the Board or the management team or due to the current activities and operations being carried on by and within the Company.

Tlou’s Corporate Governance statement should be read with reference to the Council's Recommendations, which are as follows:

1. Lay solid foundations for management and oversight;
2. Structure, the Board, to add value;
3. Promote ethical and responsible decision-making;
4. Safeguard integrity in financial reporting;
5. Make timely and balanced disclosure;
6. Respect the rights of shareholders;
7. Recognise and manage risk; *and*
8. Remunerate fairly and responsibly

For further details, and to secure a copy of the Council's Recommendations please visit the ASX website at www.asx.com.au

Role of the Board

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

The Board's role and the Company’s Corporate Governance practices are continually being reviewed and updated to reflect the Company’s circumstances and growth.

The Board is responsible for determining the strategic direction and objectives of the Company and overseeing management’s achievements against these.
(ASX Recommendation 1.1)

The Board of Directors

The Board is currently comprised of six (6) Directors. Details of the Directors who have held office during the year under review are namely:-

Name of Director	Board Membership	Date of Appointment
Nathan Mitchell	Non-executive Chairman	23-Apr-09
Christopher Pieters	Executive Director	23-Apr-09
Anthony Gilby	Managing Director	23-Apr-09
Martin McIver	Non-executive Director	16-Sep-10
Henri van Rooyen	Non-executive Director	29-Nov-10
Stuart Comline	Non-executive Director	29-Nov-10

The skills, experience and expertise relevant to the position of each Director are set out in the Directors' report of this Annual Report.

Subject to the requirements of the *Corporations Act 2001* the Board does not subscribe to the principle of retirement age and there is no maximum period of service as a Director.

Recommendation 2.1 requires a majority of the Board to be independent Directors. In addition Recommendation 2.2 requires the Chairman of the Company to be independent. The Council defines "independence" as being a non-executive director who is not a member of management and who is free from any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the independent exercise of their judgment. Based on this definition the current Directors could not be considered independent by virtue of them being either executives, substantial shareholders of the Company or Directors or Officers of Companies that are substantial shareholders of the Company.

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

Board Charter

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

Conflicts of Interest

In accordance with the *Corporations Act 2001* and the Company's existing Constitution and the provisions of the Constitution that was approved by Shareholders at the meeting held 23 May 2012 and which will be adopted on the lodgement of a prospectus with the ASIC for the proposed listing of the Company, Directors must keep the Board advised on an ongoing basis, of any interest that may lead to a conflict with the interests of the Company. Where the Board believes that there is a significant or material conflict, the Director concerned shall be excluded from all discussions and access to Board papers and the like, and shall not be present at any Directors meeting during the consideration or vote on such a matter.

Independence of Professional Advice

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

Process for Evaluating the Performance of Key Executives

Improvement in Board processes and effectiveness is a continuing objective and the purpose of the annual Board evaluation is to identify ways to improve performance. The Board has appointed the Chairman as the person responsible for conducting an annual review of the Board's performance. A review has not been undertaken this year but one will be completed within the coming 12 months.

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

The Board will assess annually or as necessary the performance of the Managing Director benchmarking his performance against the role description in the employment contract and general industry standards expected of a Managing Director carrying on that role.

The Managing Director assesses, annually or as necessary, the performance of all key executives. Both qualitative and quantitative measures will be used consistent with performance targets set annually by the Managing Director in consultation with those executives. The Managing Director reports to the Remuneration and Nomination Committee on their performance and the Remuneration and Nomination Committee will then consider any changes to remuneration and the establishment of new performance targets.
(ASX Recommendation 1.2)

Committees
Nomination Committee, Audit Committee and Remuneration Committee

The Board delegates specific responsibilities to various Board Sub-Committees. The Board has established:

An Audit Committee, which is responsible for overseeing the external and internal auditing functions of the Company's activities;

A Risk Committee, which comprises representatives of the Board and staff to advise and assist the Board in assessing risk factors associated with the operation of the Company; and

A Remuneration Committee, which is responsible for making recommendations to the Board on remuneration packages for executives.

The Board has this year delegated the specific responsibility of overseeing the Company's audit obligations to an Audit Committee that has been established. The Audit Committee is responsible for overseeing the external and internal auditing functions of the Company's activities. The Committee is made up of the following members:

Martin McIver - Chairman
Anthony Gilby
Henri van Rooyen

A Majority of the Directors should be Independent Directors

The names of the Directors of the Company in office at the date of this report and their qualifications are set out in the section of the Annual Report headed "Director's Report".

Under the Constitution, the maximum number of Directors is nine (9). Further, the Constitution mandates that there be a minimum of four Directors, at least two of whom must reside in Australia. Under the provisions of the Constitution approved by shareholders 23 May 2012 one third of the directors will be required to retire annually on rotation but will be free to seek re-election by shareholders.

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

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

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

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

Recommendation 2.1 is that the majority of the Directors are independent. When determining the independent status of a Director, the Board considers, having regard to the ASX Council's Independence criteria, whether the Director:-

a) is a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;

b) within the last three years has been employed or has previously been employed in an executive capacity by the Company or another Group member, or been a director after ceasing to hold such employment;

c) within the last three years has been a principal of a material professional adviser or a material consultant to the Company or another Group member, or an employee materially associated with the service provided;

d) is a material supplier or customer of the Company or other Group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer; and

e) has a material contractual relationship with the Company or another Group member other than as a Director of the Company.

The Board believes that given its current composition, it will not be able to satisfy the requirements in relation to the requirements regarding independent directors and members of the respective committees' as there are no Independent Directors. Nevertheless, with this in mind, the Board will continue to monitor and review this issue as the activities or status of the Company evolves.

From a Director's perspective:

a) a Director has a material contractual relationship if goods or services supplied by the Director to Tlou Energy exceed 5% of the direct operating costs of the company for any year in the relevant three year period; or

b) he or she has served on the Board for a period in excess of ten years; or

c) he or she is not free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the company.

The Directors' remuneration is disclosed in the audited accounts of the Company as well as in the Directors' Report.
(ASX Recommendation 2.1)

The Chairperson should be an Independent Director

The Chairman (Nathan Mitchell) if applying the independence criteria in the Principles is not considered to be independent, due to his family company being a substantial shareholder of the Company. However the Board considers that the Chairman is the most appropriate person for the role due to his commercial experience in such a capacity and that the interests of the Company and its shareholders are being more than adequately met by the current appointee.
(ASX Recommendation 2.2)

The Roles of Chairperson and Chief Executive Officer should not be shared by the same person

The roles of the Chairperson and the Chief Executive Officer were not shared at any time during the year under review. The role of the Chairman was fulfilled by Nathan Mitchell, while the role of the Chief Executive Officer has been filled by Chris Pieters and Anthony Gilby for the whole of the period. The roles of the Chairperson and the Managing Director are set out in the Board Charter.
(ASX Recommendation 2.3)

Board Should Establish a Nomination Committee

The full Board (excluding the Managing Director) carries out the functions of a Remuneration & Nomination Committee in respect of the selection and appointment process for Directors. While there is no separate Nomination Committee as required by Recommendation 2.4 the full Board (excluding the Managing Director) considers those matters and issues arising that would usually fall to a Remuneration & Nomination Committee. The Board has in place processes which raise the issues that would otherwise be considered by a Nomination Committee.

The Board considers that no efficiencies or other benefits would be gained by establishing a separate Remuneration & Nomination Committee at this time due to the size of the Company and its current activities.
(ASX Recommendation 2.4)

Disclose Process for Evaluating the Performance of the Board, its Committees and Individual Directors

The Company has, as disclosed above, a formal process for the evaluation of the effectiveness, processes and structure of the Board. The Board is committed to regular assessment of its effectiveness and believes that the contribution of individual Directors is essential to improve the governance and guidance of the Company.

The review of the Board Directors will focus on matters such as the structure, the effectiveness and contributions made by each Director and the progress towards the strategic objectives of the Company. The Chairman is responsible for conducting the annual review of the Board's Performance, which will involve open and constructive dialogue between the respective parties.
(ASX Recommendation 2.5)

Director, Senior Executive and Employee Codes of Conduct

The Company has adopted Corporate Codes of Conduct which sets out ethical standards and a Code of Conduct to which all Directors, Executives and employees will adhere whilst conducting their duties.
(ASX Recommendation 3.1)

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

All Directors and Senior Executives will:-

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

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

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

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

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

6. This Code of Conduct is in addition to the Code of Conduct for all employees which has been adopted by the Board of the Company, a copy of which will be available on the Company's website.

The Company is committed to increasing shareholder value and aims to ensure its shareholders are fully informed as to the true financial position and performance of the Group through timely and accurate disclosure of information and risk management practices and exemplary compliance with the continuous disclosure regime.
(ASX Recommendation 3.1)

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

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

Establish a Policy Concerning Diversity and Disclose the Policy and a Summary

The Company is committed to diversity within the workplace and providing an environment in which employees have equal access to opportunities. The Company recognises that a commitment to diversity and inclusiveness will increase the probability of the Company achieving its strategic objectives. The Board has in accordance with Recommendation 3.2 adopted a Diversity Policy, a summary of which is available on the company's website.
(A*SX Recommendation 3.2)*

Safeguard Integrity in Financial Reporting

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

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

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

Structure of the Audit Committee and Charter

ASX Recommendation 4.2 states that the audit committee should have at least 3 members consisting only of non-executive directors, a majority of which should be independent with the Chair of the Committee being one of the independent directors who is not the chair of the Company. The Committee appointed by the Board comprises two (2) Non-executive Directors and one executive director of which none are considered independent in accordance with the definition of independence prescribed by the ASX Corporate Governance Independence Criteria.

Anthony Gilby is the member of the Committee who is not currently a non-executive director. At the time of his appointment to the Committee he was a non-executive director but has since been appoint the Chief Executive officer. When the constitution of the Company allows it is expected the he will step down from his role on the Audit Committee.

The members of the Audit Committee during the year appear previously in this statement. The Chair of the Committee is Martin McIver who is a non-executive director and not the Chairman of the Board of Directors.

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

The Committee has a documented charter which is regularly reviewed and updated if necessary. The current Charter was approved by the Board on 12 October 2010 and sets out the specific responsibilities delegated to the Committee by the Board.

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

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

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

The role of the Audit Committee is to:-

(a) monitor the integrity of the financial statements of Tlou Energy Limited and its subsidiaries ("the Company"), by reviewing significant financial reporting judgements;

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

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

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

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

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

(g) review compliance with legal and regulatory requirements.
(ASX Recommendation 4.3)

The Audit Committee members' attendance at meetings as compared to total meetings held is set out in the Directors' Report. The external auditors attend the meetings at least twice a year and on other occasions where circumstances warrant as well as being available at the Company's AGM to answer shareholders questions about the conduct of the audit and the preparation and content of the audit report. The Audit Committee keeps minutes of its meetings and includes them for review at the following Board Meeting.

Disclosure and Communication with Shareholders

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

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

Methods of communication currently employed include:

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

Continuous Disclosure

The Company has adopted a Continuous Disclosure Policy in compliance with ASX Recommendation 5.1. Each employee and consultant engaged by the Company will be provided with a copy of the same while impressing upon them during their induction the importance of the same.

Once listed the Company Secretary has primary responsibility for discharging the Company's continuous disclosure obligations to the ASX. All officers and employees must immediately notify the Company Secretary of any material information which may need to be disclosed under Listing Rule 3.1.

The Officers of the Company are committed to:

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

In addition the new website will contain a function to allow interested parties to subscribe to receive electronic notification of public releases and other relevant material concerning the Company.

In accordance with ASX Recommendation 6.1 the Company has adopted a Shareholder Communication Strategy to ensure that Shareholders have access to balanced and understandable information about the Company and its activities.

The Company will use its website www.tlouenergy.com as its primary communication tool for distribution of the annual report, market announcements and media disclosures. Once listed external communication which may have a material effect on the price or value of the Company's securities will not be released unless it has been announced previously to the ASX. Effective participation by Shareholders will be encouraged at general meetings and procedures will be designed to facilitate this.

Recognition and Management of Risk

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

The Company has established a Risk Committee that is focussed on ensuring that the Company maintains an effective system of internal control and risk management. The Committee's structure, roles and responsibilities are detailed in the Risk Committee Charter.
Flowing from this, the Company has adopted a Risk Management Policy that governs the Company's approach to managing financial and non-financial risks.

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

Specific functions of the Risk Committee are to:-

a) review and oversee the Company's risk profiles as developed and reported by management,

b) identify material business risks and monitor emerging risks and changes in the Company's risk profile;

c) monitor and review the risk management performance of the Company, including conducting specific investigations where deemed necessary;

d) review any legal matters which could significantly impact the Company's risk management and internal control systems, and any significant compliance and reporting issues, including any recent internal regulatory compliance reviews and reports;

e) review the effectiveness of the compliance function at least annually, including the system for monitoring compliance with laws and regulations and the results of management's investigations and follow-ups (including disciplinary action) of any fraudulent acts or non-compliance;

f) be satisfied that all regulatory compliance matters have been considered in the preparation of the Company's official documents;

g) review the findings of any examinations by regulatory agencies and oversee all liaison activities with regulators;

h) review and discuss media releases, ASX announcements and any other information provided to analysts;

i) review corporate legal reports of evidence of a material violation of the Corporations Act, the ASX Listing Rules or breaches of fiduciary duties;

j) review the Company's insurance strategy, including the coverage and limits of the insurance policies, in order to, if thought fit, recommend to the Board for approval,

k) review the Company's Authorisation for Expenditure (AFE) documents, as proposed by management, against the strategic and financial objectives and the risk profile of the Company; and

l) promote an awareness of a risk based culture in the balance of pursuit of business objectives whilst managing risks.
(ASX Recommendation 7.1)

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

Environment

The Company is committed to sustainable development of energy resources in an environmentally and socially responsible manner. All operational activities are conducted in strict compliance with the terms of the relevant licence or permits. The Company employs technology and invests in environmental practices to achieve this objective.

Board to Disclose Extent of CEO/CFO Assurances under s295A of Corporations Law

The Board has received declarations from the Managing Director acting in the capacity of Chief Executive Officer and from the Chief Financial Officer pursuant to s295A of the Corporations Act which state that the financial statements are founded on sound risk management and internal controls and that the system is operating effectively in all material respects in relation to financial reporting risks.
(ASX Recommendation 7.3)

Role of Auditor

All Directors have direct access to the Auditors if required by them.

Any recommendations and advice that is received from the auditor or other external advisers on the operational financial risks faced by the Company will be instigated where appropriate.

Remunerate Fairly and Responsibly

The Board should establish a Remuneration Committee.

Given the size of the Board, the Directors have determined that the Non-executive Directors will execute the functions of a Remuneration & Nomination Committee and have adopted a Remuneration and Nomination Charter.

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

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

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

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

The remuneration paid to Directors and senior executives is shown in the Remuneration Report contained in the Directors' Report, which includes details on the Company's remuneration policies. There are no termination and retirement benefits for Non-executive Directors other than statutory superannuation entitlements.

Additional Information

1. Shareholder Information

The shareholder information set out below was applicable at 26 August 2012.

2. Ordinary Share Capital

70,331,320 fully paid ordinary shares.

3. Number of Equity Holders

Ordinary Share Capital held by 103 individual shareholders.

4. Voting Rights

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

5. Distribution of Shareholdings

Holdings			Number of Holders	Units	Percentage of Issued Capital
1	-	1,000	0	0	0.000%
1,001	-	5,000	1	3778	0.005%
5,001	-	10,000	6	53,485	0.076%
10,001	-	100,000	57	2,402,877	3.417%
100,001	-	maximum	39	67,871,180	96.502%
			103	**70,331,320**	**100.00%**

6. Substantial Shareholders

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

Name	**Number of Shares Held**	**Percentage Interest**
Talon Metals Corp	21,857,142	31.077%
Arcturus Capital Pty Ltd	12,621,212	17.945%
Gilby Resources Pty Ltd	5,048,485	7.178%
Berne 132 Nominees Pty Ltd	4,832,984	6.871%
Waterford Atlantic Pty Ltd	4,454,546	6.463%

The above shareholdings are disclosed pursuant to section 671B (3) of the *Corporations Act 2001* but the relevant interests shown do not necessarily represent the beneficial interest in the share capital of the Company or the parties concerned.

7. The 20 Largest Holders of Ordinary Shares

	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital*
Talon Metals Corp	21,857,142	31.077%
Arcturus Capital Pty Ltd	12,621,212	17.945%
Berne 132 Nominees Pty Ltd	4,823,984	6.871%
Waterford Atlantic Pty Ltd	4,454,546	6.463%
Gilby Resources Pty Ltd	4,430,200	6.299%
Pieters Capital Pty Ltd	2,524,241	3.589%
Matopos Holdings Limited	2,220,000	3.156%
Taheh International Holdings Ltd	2,188,922	3.112%
David Royds	1,550,000	2.203%
RAG Superannuation Pty Ltd	878,333	1.248%
Rensburg Nominees Limited	864,448	1.229%
Citicorp Nominees Pty Ltd	658,750	0.937%
Gilby Resources Pty Ltd	618,285	0.879%
McKay Super Pty Ltd	593,939	0.844%
HSBC Global Custody Nominees (UK) Ltd	527,000	0.749%
Liath Pty Ltd	501,364	0.713%
Hero Nominees Limited	483,083	0.687%
Financial Consultants (Jersey) Limited	465,000	0.661%
Jesus College Cambridge	445,000	0.633%
Ucan Nominees Pty Ltd	439,166	0.624%
Total	**63,144,615**	**89.919%**

* percentages are rounded up to the nearest 0.1000

8. Restricted Securities

As at the date of the Director's Report, there were no restricted securities.

9. Interests in Prospecting Licences (PL)

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

PL	Region	interest % *	Operator
230/2007	Karoo West	100%	Tlou Energy Botswana Pty Ltd
231/2007	Karoo West	100%	Tlou Energy Botswana Pty Ltd
232/2007	Karoo West	100%	Tlou Energy Botswana Pty Ltd
233/2007	Karoo West	100%	Tlou Energy Botswana Pty Ltd
348/2008	Karoo West	100%	Tlou Energy Botswana Pty Ltd
349/2008	Karoo West	100%	Tlou Energy Botswana Pty Ltd
1/2004	Karoo Central	100%	Tlou Energy Botswana Pty Ltd
2/2004	Karoo Central	100%	Tlou Energy Botswana Pty Ltd
3/2004	Karoo Central	100%	Tlou Energy Botswana Pty Ltd
35/2000	Karoo Central	100%	Tlou Energy Botswana Pty Ltd
37/2000	Karoo Central	100%	Tlou Energy Botswana Pty Ltd
SG 4533	Zimbabwe	49%	Exporien Mining Pvt Ltd
SG 4535	Zimbabwe	49%	Exporien Mining Pvt Ltd

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

TLOU ENERGY

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