Tlou Energy Limited

A.B.N. 79 136 739 967

Consolidated Financial Statements for the half-year ended 31 December 2018

Corporate Directory

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

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Managing Directors' report

Dear Shareholders,

The reporting period was focussed on preparations for the new development wells located in the vicinity of the proposed central gas processing and power generation facility. Additional activity included working on the Environmental Impact Statement for the planned downstream development comprising gas gathering, gas processing, power generation and an electrical transmission line to Serowe. A submission was also made in October in response to the government of Botswana's request for a proposal in relation to a gas-to-power re-tender.

As a result of the achievements during the period, we are in a good position to make further significant advancements in the months ahead. We are proceeding with a series of value adding field operations, the most significant of which is the drilling of initial development wells (Lesedi 3 and 4) which is on-going. These wells have been positioned in the best technical location and orientation to potentially result in enhanced gas flows compared to what has already been achieved at Selemo. The results of the recently acquired seismic data coupled with an extensive geological review of our area by our independent geological consultants has determined the optimum positioning for the current drilling campaign.

In terms of gaining access to the power grid to ultimately monetise our gas via electricity, we have continued to run parallel processes of going down the path of the re-issued gas-to-power tender (while recognising its challenges) as well as going it alone by gaining all of the necessary approvals to independently connect to the grid in any event. The Company notes that the Southern African Power Pool region continues to suffer from inadequate investment in electrical power generation capacity and sooner rather than later will again experience significant electrical energy shortages. This situation will be reinforced on the downside for energy supply in southern Africa should any interruptions of the Eskom supply from South Africa be experienced. The Tlou project offers cost effective and relatively clean energy for Botswana coupled with providing energy security and much needed jobs with successful implementation.

The near-term objectives, aimed at negating the currently perceived principal risks, are considered by the Company to be achieving an enhanced gas flow from the Lesedi development wells and obtaining a clear pathway to gas monetisation via a power purchase agreement or equivalent. The first half of 2019 should see significant advancements towards achieving one or both of these objectives.

Yours faithfully,

Anthony Gilby
Managing Director

Directors' report

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the "consolidated entity") consisting of Tlou Energy Limited (referred to hereafter as the "Company" or "Tlou") and the entities it controlled at 31 December 2018.

Directors
The names of the directors who held office at any time during the half-year and up to the date of this report are:

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

Directors have been in office since the start of the half-year to the date of this report unless otherwise stated.

Principal Activities
The principal activity of the consolidated entity is to provide gas-to-power solutions for southern Africa through the exploration and evaluation of assets in the region to identify and develop coalbed methane ("CBM") gas resources suitable for power generation. No revenue from this activity has been earned to date. The consolidated entity is in the appraisal or pre-development stage of its operations.

There have been no significant changes in the nature of the group's principal activities during the half-year.

Review and results of operations
The loss for the half-year after income tax amounted to $1,520,139 (December 2017: loss $1,676,624). Information on operations and results during the period are set out below.

The loss for the half-year is marginally below that of the same period in the prior year. This ties in with the Company's continued focus on reducing corporate, administrative, and operating costs wherever possible, where this can be done without any adverse effect on performance.

Net spend on exploration activities during the period amounted to $3,594,701. This is an increase on the comparative period and relates mainly to the development wells that were commenced during the reporting period. Further details about these wells are outlined later in this report.

Lesedi CBM Project Area, Botswana
Licences: Mining Licence 2017/18L, Prospecting Licences 001 & 003/2004 and 35 & 37/2000
Ownership: Tlou Energy Limited 100%

The Lesedi project in Botswana covers an area of approximately 3,800 Km^2 and consists of four Coal and CBM Prospecting Licences (PL) and a Mining Licence. The Mining Licence area is currently the focal point for the Company's operations and includes the Lesedi development wells which are currently being drilled and the Selemo pilot wells where the Company started producing gas in 2016 until the wells were shut-in prior to the commencement of the 2018/19 development well drilling program.

The status of the Lesedi area licences is as follows:

Licence	**Expiry**	**Status**
Mining Licence 2017/18L	August 2042	Current
PL 001/2004	March 2019	Current (Renewal application submitted Dec 2018)
PL 003/2004	March 2019	Current (Renewal application submitted Dec 2018)
PL 035/2000	September 2020	Current
PL 037/2000	September 2020	Current

Directors' report continued

Mamba Project Area, Botswana
Licences: Prospecting Licences 237-241/2014
Ownership: Tlou Energy Limited 100%

The Mamba project consists of five Coal and CBM PL's in Botswana covering an area of approximately 4,500 Km^2. The Mamba area is considered to be highly prospective being situated adjacent to Tlou's Lesedi CBM Project and being on-trend with the encouraging results observed to date. In the event of a gas field development by Tlou, the Mamba area provides the Company with considerable flexibility and optionality.

The status of the Mamba area licences is as follows:

Licence	Expiry	Status
PL 237/2014	September 2019	Current
PL 238/2014	September 2019	Current
PL 239/2014	September 2019	Current
PL 240/2014	September 2019	Current
PL 241/2014	September 2019	Current

Development well drilling program
The Company has commenced drilling of initial development wells at its Lesedi CBM Project (Lesedi) during the reporting period. These wells are planned to form part of the Company's initial gas-to-power project which will include installation of transmission lines and grid connection. The drilling program is conducted in accordance with health and safety requirements and is consistent with the Company's approved environmental impact statement.

The wells are being drilled as 'dual lateral pods', comprising a single vertical production well intersected by two lateral wells. The lateral wells being drilled through the gassy coal seam with gas extracted from this coal to be produced through the vertical production well where it can be gathered and used for power generation.

Once drilled, wells are completed using a separate workover rig and surface production facilities are installed. Two development wells are being drilled with an optional third development well to be completed later subject to results from the initial two wells. Following installation of surface production facilities, completed wells will then begin production testing to de-water and lower the pressure in the coal seam to achieve gas flow.

The wells are being drilled in the area proposed for the initial project development and are aimed at confirming gas flows, as well as ensuring production readiness prior to commencement of development operations.

The project will require connection to the local power grid. This connection is planned to be made at the town of Serowe, approximately 100 Km from the Lesedi CBM project. A draft transmission line route has been determined with negotiations ongoing with the regional and local land boards.

Re-tender for the development of CBM fuelled Pilot Power Plants in Botswana
In early 2018 the Company was invited by Botswana's Ministry of Mineral Resources Green Technology and Energy Security ('the Ministry') to submit a response under a Request for Proposal (RFP) for Development of CBM fuelled power plants in Botswana as an Independent Power Producer (IPP).

This proposal is for the development of CBM fuelled power plants up to 100MW. A successful RFP process can assist in the development of a new CBM gas industry in the country and create a new market for Tlou's independently-certified gas reserves of ~41 billion cubic feet (2P), ~427 billion cubic feet (3P) and significant contingent gas resources of ~3 trillion cubic feet (3C).

The Company submitted its proposal to government on 10 October 2018 and is awaiting a response.

The submission outlined a staged development commencing with up to 10MW of generation as well as outlining project feasibility, proposed field development, installation of power generation facilities and supply of power into the grid in Botswana. If the proposal and the initial project are successful, the Company would look to expand further.

The planned project could bring very significant benefits to Botswana. These benefits include providing: energy security; a cleaner form of local power; additional employment opportunities; the potential for development of new industries; and a potentially significant return for investors.

If Tlou's proposal is accepted, it will provide an ideal pathway towards a Power Purchase Agreement (PPA). Once an initial development is completed, Tlou Energy's gas field will be connected to the regional grid, thereby opening the possibility for the Company to provide power across the region, via the Southern African Power Pool.

In addition to the tender process, the Company has entered into discussions with other potential off-takers of gas and power as well as potential financiers of the downstream development, the latter being subject to securing an appropriate PPA.

Directors' report continued

Environmental Impact Assessment

An Environmental Impact Assessment (EIA) for the downstream development of the power generation facility and transmission lines has been submitted to the relevant department in Botswana. This was a comprehensive report that required extensive consultation with all stakeholders. Timely approval of the EIA will facilitate the implementation of the downstream power generation aspect of the project. The Company already has an approved EIA in place for upstream (field development drilling and exploration) operations.

Shares issued

In July 2018, the Company issued 54,889,260 ordinary shares following the completion of share placements and an entitlement offer to existing shareholders, with Directors of the Company also participating in the entitlement offer.

In October 2018, 4,950,000 performance rights were granted to staff and consultants, including 3,000,000 performance rights grated to Directors. Further details on the conditions attached to these performance rights are disclosed in the notes to the financial statements. None of these performance rights have yet been converted into ordinary shares.

Significant changes in the state of affairs

During the half-year ended 31 December 2018, 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 half-year

Other than the matters discussed in this report, there has not arisen in the interval between the end of the half-year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect significantly the operations of the group, the results of those operations or the state of affairs of the group in subsequent financial periods.

Likely developments and expected results of operations

The Company is pursuing options to secure an off-taker (purchaser) for Tlou's gas or power. This could be via the Government of Botswana's re-tender process outlined above or an agreement with one or more parties. The process to secure environmental approval for the construction of transmission lines and a central processing facility, as well as production testing operations to determine the commerciality of gas flows at the proposed development project area are ongoing. The Company will also require further funding to bring the project into development. The results of these matters are not yet known and cannot be determined with certainty. Commencement of planned gas-to-power projects may depend on the successful outcome of some or all of these items.

Auditor's Independence Declaration

The auditor's independence declaration for the half-year ended 31 December 2018 has been received and is attached to this report.

Signed in accordance with a resolution of the Board of Directors.

A.R. Gilby

Anthony Gilby
Managing Director

Brisbane
26 February 2019

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DECLARATION OF INDEPENDENCE BY T R MANN TO THE DIRECTORS OF TLOU ENERGY LIMITED

As lead auditor for the review of Tlou Energy Limited for the half-year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been:

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

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

T R Mann
Director

BDO Audit Pty Ltd

Brisbane, 26 February 2019

Consolidated statement of comprehensive income
for the half-year ended 31 December 2018

	Note	Consolidated Period ended Dec 2018 $	 Period ended Dec 2017 $
Interest income		**5,446**	820
Expenses			
Employee benefits expense		**(587,147)**	(426,980)
Depreciation and amortisation expense		**(238,742)**	(88,289)
Foreign exchange gain/(loss)		**82,659**	90,736
Share issue costs		**-**	(176,685)
Performance rights expense		**(128,060)**	(199,624)
Professional fees		**(44,485)**	(89,936)
Corporate expenses		**(5,369)**	(16,237)
Occupancy costs		**(33,543)**	(21,490)
Other expenses	2	**(570,898)**	(748,939)
LOSS BEFORE INCOME TAX		**(1,520,139)**	(1,676,624)
Income tax		**-**	-
LOSS FOR THE PERIOD		**(1,520,139)**	(1,676,624)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**597,713**	629,253
Tax effect		**-**	-
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS)		**597,713**	629,253
TOTAL COMPREHENSIVE INCOME/(LOSS)		**(922,426)**	(1,047,371)

Earnings per share	Cents	Cents
Basic loss per share	(0.4)	(0.5)
Diluted loss per share	(0.4)	(0.5)

Notes to the consolidated financial statements are attached.

Consolidated statement of financial position as at 31 December 2018

	Note	Consolidated Dec 2018 $	June 2018 $
CURRENT ASSETS			
Cash and cash equivalents		**5,520,614**	7,019,345
Trade and other receivables		**457,780**	194,814
Other current assets		**10,764**	364,956
TOTAL CURRENT ASSETS		**5,989,158**	7,579,115
NON-CURRENT ASSETS			
Exploration and evaluation assets	3	**57,124,581**	52,861,961
Other non-current assets		**1,209,650**	652,522
Property, plant and equipment	4	**1,981,427**	440,683
TOTAL NON-CURRENT ASSETS		**60,315,658**	53,955,166
TOTAL ASSETS		**66,304,816**	61,534,281
CURRENT LIABILITIES			
Trade and other payables		**662,941**	258,024
Provisions		**129,229**	215,183
TOTAL CURRENT LIABILITIES		**792,170**	473,207
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**369,353**	369,353
Provisions		**114,000**	97,000
TOTAL NON-CURRENT LIABILITIES		**483,353**	466,353
TOTAL LIABILITIES		**1,275,523**	939,560
NET ASSETS		**65,029,293**	60,594,721
EQUITY			
Contributed equity	6	**95,692,760**	90,463,822
Reserves		**(2,179,195)**	(2,904,968)
Accumulated losses		**(28,484,272)**	(26,964,133)
TOTAL EQUITY		**65,029,293**	60,594,721

Notes to the consolidated financial statements are attached.

Consolidated statement of changes in equity for the half-year ended 31 December 2018

	Contributed Equity	Share Based Payments Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total
	$	$	$	$	$
Balance at 1 July 2017	83,380,184	520,500	(3,627,932)	(24,153,403)	56,119,349
Loss for the period	-	-	-	(1,676,624)	(1,676,624)
Other comprehensive income, net of tax	-	-	629,253	-	629,253
Total comprehensive income	-	-	629,253	(1,676,624)	(1,047,371)
Transactions with owners in their capacity as owners					
Share based payments	-	199,624	-	-	199,624
Shares issued, net of costs	4,407,047	-	-	-	4,407,047
	4,407,047	199,624	-	-	4,606,671
Balance at 31 December 2017	87,787,231	720,124	(2,998,679)	(25,830,027)	59,678,649
Balance at 1 July 2018	**90,463,822**	**309,401**	**(3,214,369)**	**(26,964,133)**	**60,594,721**
Loss for the period	**-**	**-**	**-**	**(1,520,139)**	**(1,520,139)**
Other comprehensive income, net of tax	**-**	**-**	**597,713**	**-**	**597,713**
Total comprehensive income	**-**	**-**	**597,713**	**(1,520,139)**	**(922,426)**
Transactions with owners in their capacity as owners					
Share based payments	**-**	**128,060**	**-**	**-**	**128,060**
Shares issued, net of costs	**5,228,938**	**-**	**-**	**-**	**5,228,938**
	5,228,938	**128,060**	**-**	**-**	**5,356,998**
Balance at 31 December 2018	**95,692,760**	**437,461**	**(2,616,656)**	**(28,484,272)**	**65,029,293**

Notes to the consolidated financial statements are attached.

Consolidated statement of cash flows
for the half-year ended 31 December 2018

	Consolidated	
	Period ended Dec 2018 $	**Period ended Dec 2017 $**
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees (inclusive of GST and VAT)	**(1,478,225)**	(1,796,542)
Interest received	**5,247**	820
GST and VAT received	**323,943**	117,549
NET CASH USED IN OPERATING ACTIVITIES	**(1,148,835)**	(1,678,173)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for exploration and evaluation assets	**(3,782,387)**	(2,106,573)
Payment for property, plant and equipment	**(1,771,253)**	(20,741)
NET CASH USED IN INVESTING ACTIVITIES	**(5,553,640)**	(2,127,314)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	**5,488,927**	4,419,259
Share issue costs	**(259,989)**	(28,377)
NET CASH PROVIDED BY FINANCING ACTIVITIES	**5,228,938**	4,390,882
Net increase in cash held	**(1,473,537)**	585,395
Cash at the beginning of the period	**7,019,344**	6,727,424
Effects of exchange rate changes on cash	**(25,193)**	150,381
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**5,520,614**	7,463,200

Notes to the consolidated financial statements are attached.

Notes to the consolidated financial statements for the half-year ended 31 December 2018

Note 1. Significant accounting policies

Introduction
Tlou Energy Limited (Tlou) is a company domiciled and incorporated in Australia. The Financial Report for the half-year ended 31 December 2018 consists of the Financial Statements of Tlou Energy Limited and the entities it controlled during the period ('Consolidated Entity').

Compliance with accounting standards
The half-year financial report is a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: Interim Financial Reporting.

The half-year financial report does not include all the notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report of the group.

Basis of preparation
The financial statements have been prepared on an accruals basis and are based on historical costs. The financial report is presented in Australian dollars.

The accounting policies and methods of computation applied by the Consolidated Entity in the consolidated interim financial report are the same as those applied by the Consolidated Entity in its consolidated financial report as at and for the year ended 30 June 2018, except as noted below.

New and amended standards adopted by the group
A number of new or amended standards became applicable for the current reporting period and the group had to change its accounting policies as a result of adopting the following standards:

- AASB 9 *Financial Instruments*; and
- AASB 15 *Revenue from Contracts with Customers*.

The impact of the adoption of these standards and the new accounting policies are disclosed below. The other standards did not have any impact on the group's accounting policies and did not require retrospective adjustments.

AASB 15 *Revenue from Contracts with Customers* – Impact of adoption
The group has adopted AASB 15 Revenue from Contracts with Customers from 1 July 2018. In accordance with the transition provisions in AASB 15, the group has adopted the new rules retrospectively however there was no material impact on the amounts disclosed previously and as a result there has been no restatement required as a result of reclassification or remeasurement and no change to the previously disclosed accounting policies.

AASB 9 *Financial Instruments* – Impact of adoption
AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of AASB 9 Financial Instruments from 1 July 2018 resulted in changes in accounting policies. The new accounting policies are set out in note below. In accordance with the transitional provisions in AASB 9(7.2.15) and (7.2.26), comparative figures have not been restated.

(i) Classification and Measurement

On 1 July 2018 (the date of initial application of AASB 9), the Group's management has assessed which business models apply to the financial assets held by the group and has classified its financial instruments into the appropriate AASB 9 categories. There were no changes to the classification and measurement of financial assets.

(ii) Impairment of financial assets

The Group has one type of financial asset that is subject to AASB 9's new expected credit loss model, being trade and other receivables.

The group was required to revise its impairment methodology under AASB. There was no material impact of the change in impairment methodology on the group's retained earnings and equity.

While cash and cash equivalents are also subject to the impairment requirements of AASB 9, there was no material impairment loss identified.

Notes to the consolidated financial statements for the half-year ended 31 December 2018 continued

Note 1 Significant accounting policies (continued)

AASB 9 *Financial Instruments* – Accounting policies applied from 1 July 2018

(i) Investments and other financial assets

Classification

From 1 July 2018, the group classifies its financial assets in the following measurement categories:

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

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

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Measurement

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

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

Debt instruments

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. Again or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Impairment

From 1 July 2018, the group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

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

Notes to the consolidated financial statements for the half-year ended 31 December 2018 continued

Note 1 Significant accounting policies (continued)

Going Concern

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

Because of the nature of the operations, exploration companies, such as Tlou Energy Limited, find it necessary on a regular basis to raise additional cash funds 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 interim financial report does not include adjustments relating to the recoverability or classification of recorded assets amounts nor to the amounts or classification of liabilities that might be necessary should the group not be able to continue as a going concern.

Fair values

The fair values of Consolidated Entity’s financial assets and financial liabilities approximate their carrying values. No financial assets or financial liabilities are readily traded on organised markets in standardised form.

Accounting estimates and judgements

Critical estimates and judgements are continually evaluated and are consistent with those disclosed in the previous annual report.

Exploration & evaluation assets

During the prior period the Consolidated Entity converted a prospecting licence into a mining licence. A mining licence allows the commencement of commercial development. Despite this management believe that it is not practical to commence amortisation of the exploration and evaluation assets held in relation to the mining licence as the Consolidated Entity has not yet entered into production of a commercially viable resource.

Notes to the consolidated financial statements for the half-year ended 31 December 2018 continued

Note 2. Expenses

Loss before income tax includes the following specific expenses:	Dec 2018 $	Dec 2017 $
Other expenses		
• Stock exchange and secretarial fees	**135,500**	141,453
• Investor relations	**94,650**	79,283
• Travel and accommodation	**69,687**	110,857

Note 3. Exploration and evaluation expenditure

	Dec 2018 $	June 2018 $
Exploration and evaluation assets	**57,124,581**	52,861,961
	57,124,581	52,861,961

	Dec 2018 $	Dec 2017 $
Movements in exploration and evaluation phase		
Balance at the beginning of period	**52,861,961**	49,328,038
Exploration and evaluation expenditure during the half-year	**3,594,701**	2,081,971
Foreign currency translation	**667,919**	633,889
Balance at the end of period	**57,124,581**	52,043,898

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

Note 4. Property, plant and equipment

	Dec 2018 $	June 2018 $
Plant and equipment at cost	**4,098,073**	2,289,826
Accumulated depreciation	**(2,116,646)**	(1,849,143)
	1,981,427	440,683

Movements in Carrying Amounts Movement in the carrying amount of plant and equipment between the beginning and the end of the current period:	Dec 2018 $	Dec 2017 $
Balance at the beginning of year	**440,683**	320,739
Additions	**1,771,254**	20,742
Disposals	**-**	(788)
Depreciation	**(238,742)**	(87,501)
Foreign exchange movements	**8,232**	4,989
Carrying amount at the end of year	**1,981,427**	258,181

Notes to the consolidated financial statements for the half-year ended 31 December 2018 continued

Note 5. Contingent liabilities

The Directors are not aware of any contingent liabilities at 31 December 2018.

Note 6. Contributed equity

	Dec 2018 Shares	June 2018 Shares	Dec 2018 $	June 2018 $
Opening balance	354,224,275	304,042,848	90,463,822	83,380,184
Issue of ordinary shares during the year	54,889,260	50,181,427	5,488,927	6,894,517
Share issue costs	-	-	(259,989)	(221,602)
Transfer from share based payment reserve	-	-	-	410,723
Ordinary shares - fully paid	**409,113,535**	354,224,275	**95,692,760**	90,463,822

Performance shares

Details of performance shares issued, exercised, and expired during the financial year are set out below:

Vesting Date	Hurdle Price	Conditions	01/07/2018	Issued	Exercised	Expired	31/12/2018
31 January 2017	$0.28	See (i)	2,275,000	-	-	-	2,275,000
5 May 2019	$0.165	See (ii)	-	2,475,000	-	-	2,475,000
19 Sept 2019	$0.22	See (iii)	-	2,475,000	-	-	2,475,000
			2,275,000	4,950,000	-	-	7,225,000

The outstanding performance shares have the following key terms and conditions:

	Number	Performance condition
(i)	2,275,000	The shares will only vest once the share price of the Company's securities listed on the ASX reaches $0.28 and closes at that price or above for a period of 10 consecutive trading days.
(ii)	2,475,000	The shares will only vest once the share price of the Company's securities listed on the ASX reaches $0.165 and closes at that price or above for a period of 10 consecutive trading days.
(iii)	2,475,000	The shares will only vest once the share price of the Company's securities listed on the ASX reaches $0.22 and closes at that price or above for a period of 10 consecutive trading days.

The Performance Shares will lapse if:

- None of the pricing conditions are met; or
- the participant does not meet the service conditions.

Notes to the consolidated financial statements for the half-year ended 31 December 2018 continued

Note 7. Commitments

Exploration expenditure

In order to maintain an interest in the exploration tenements (Prospecting Licences) in which the group is involved, the group is committed to meet the conditions under the agreements. The timing and amount of exploration expenditure and obligations of the group are subject to the Prospecting Licence conditions and may vary significantly from the forecast based on the results of the work performed, which will determine the prospectivity of the relevant licence area. Subject to agreement with the appropriate government department, continued development of the area and renewal of the Prospecting Licences, expenditure and work program obligations may be carried forward and incurred in subsequent renewal periods. The obligations are not provided for in the financial statements.

Minimum expenditure requirements

	Dec 2018	June 2018
	$	$
● not later than 12 months	**2,370,453**	4,153,861
● between 12 months and 5 years	**259,042**	82,893
	2,629,495	4,236,754

Note 8. Segment information

Identification of 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 31 December 2018 no revenue has been derived from its operations (2017: $nil).

Segment assets

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

	Dec 2018	June 2018
	$	**$**
Botswana	**60,307,016**	53,949,941
Australia	**8,642**	5,225
	60,315,658	53,955,166

Note 9. Events occurring after balance date

Other than the matters discussed in this report, there has not arisen in the interval between the end of the half-year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect significantly the operations of the group, the results of those operations or the state of affairs of the group in subsequent financial periods.

Directors' declaration

In the directors' opinion:

(a) the attached financial statements and notes are in accordance with the *Corporations Act 2001* including:

(i) the attached financial statements and notes thereto comply with the *Corporations Act 2001,* Australian Accounting Standard AASB 134 'Interim Financial Reporting', the *Corporations Regulations 2001* and other mandatory professional reporting requirements;

(ii) the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the financial half-year ended on that date; and

(iii) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the *Corporations Act 2001.*

On behalf of the directors

Anthony Gilby
Managing Director

Dated at Brisbane this 26th day of February 2019

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Tlou Energy Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Tlou Energy Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of matter – Material uncertainty relating to going concern

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

Directors' responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2018 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, 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 the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit Pty Ltd

BDO

TMann

T R Mann
Director

Brisbane, 26 February 2019