



TLOU ENERGY

TLOU ENERGY LIMITED

APPROVING AUTHORITIES MANUAL

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with effect from 1 August 2013

Chairman – Nathan Mitchell

By order of the Board



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PURPOSE

The purpose of this policy is to establish authority levels for Tlou Energy Limited (Tlou), which enable employees to carry out their responsibilities and which promote a sound internal control environment in relation to the safeguarding of company assets.

As a general principle, all actions that commit Tlou to future expenditure must be evidenced by a properly completed and authorised document e.g. contract, Authority for Expenditure, Tlou purchase order etc.

All commitments, obligations and payments made by Tlou must be approved in accordance with the following policy. Any changes or amendments to the policy require the written approval of Tlou’s Managing Director (MD) prior to coming into effect.

The authority levels and procedures contained in this Policy shall also apply to all wholly owned subsidiaries of Tlou.

All amounts shown are in Australian dollars.

Authority levels apply to the authorised person's area of responsibility only. No authoriser shall initiate expenditure or approve invoices for payment, where such expenditure relates to any area of the business outside of their area of responsibility.

This Approval Authorities Manual must be read in conjunction with the stated policies of the company.

DEFINITIONS:-

AAM	means Approving Authorities Manual
Board	means Board of Directors of Tlou Energy Limited
MD	means Managing Director
CoSec	means Company Secretary
COO	means Chief Operating Officer
CFO	means Chief Financial Officer
FC	means Financial Controller
CCO	means Chief Commercial Officer
Company	means Tlou Energy Limited and its Controlled Entities
DM	means Drilling Manager
Binding	Commits the Company to any obligation which will result in the Company incurring expenditure, other than the direct expenses of Company personnel or third party consultants engaged through a separate agreement or contract, in complying with the terms of the relevant agreement or contract.
Executive	means Senior staff in the company, reporting directly to the MD



Staff means all persons employed directly by the company or who provide services to the company through a separate agreement or contract.

The following are the 'levels' defined for the purposes of the AAM:

LISTING OF APPROVING AUTHORITY LEVELS

Level 0	<i>Board of Directors</i>
Level 1	<i>Managing Director</i>
Level 2	<i>Chief Operating Officer</i> <i>Chief Financial Officer</i> <i>Company Secretary</i> <i>Chief Commercial Officer</i>
Level 3	<i>Drilling Manager</i> <i>Financial Controller</i>
Level 4	<i>All other employees</i>

Note: A reference to a "Level" is a reference to that Level or a higher Level. In the context of this AAM Level 0 is the highest level and Level 4 is the lowest authority Level.

PUBLIC RELATIONS

1. EXTERNAL CORRESPONDENCE

- (a) External correspondence and e-mails that commit the Company to any liability or expenditure must be signed or approved at the appropriate AAM expenditure approval level commensurate with the value of the commitment.
- (b) General correspondence may be signed by Level 4 commensurate with the appropriate level of financial authority.





2. PRESS RELEASES, MEDIA, ASX and ASIC

- (a) All press releases to the media must be authorised by Level 1 in accordance with the company's continuous disclosure policy. Comments to the media need to be consistent with press releases, statutory reports and releases and Company policy and guidelines.
- (b) All papers to be published or presented to conferences, brokers and other such parties must be authorised by Level 1.
- (c) All statutory compliance releases and returns to the ASX and ASIC must be authorised by the CoSec or Level 1 as detailed in the companies continuous disclosure policy.

HUMAN RESOURCES

3. RECRUITING

- (a) Within Budget
 - Non Executive Staff Level 1
 - Executive Staff Level 0
- (b) Outside Budget
 - Non Executive Staff Level 0
 - Executive Staff Level 0

4. SALARY/WAGE ADJUSTMENTS

Salary and wage adjustments will be made annually or at such other times as specifically approved by the Board.

- Annual Salary Reviews within Board approved guidelines Level 1
- Bonus payments, granting of options, etc Level 0

5. MEMBERSHIPS (where the cost is borne by the Company)

A register of all Memberships (professional bodies, industry bodies, etc) is to be maintained by the Executive Assistant, including nature of the membership, staff member and annual cost. The register is to be regularly reviewed (at least annually) by the CFO as to relevancy of each membership.

Note: Memberships will be considered based on industry; professional body; and staff member development relevancies. Generally professional staff will be limited to only one or two memberships paid by the company.



Approval of Memberships up to \$1000	Level 2
Approval of Memberships \$1000 to \$2,000	Level 1

CONTRACTS

6. AGREEMENTS AND CONTRACTS (Non-Binding)

The form and substance of the document needs to be reviewed to determine whether it falls within this category of “non-Binding”. Agreements and contracts in this category will generally include letters of intent, memoranda of intent or understanding, confidentiality agreements and such similar documents. Anything of a commercial nature will require the approval of the COO or CCO, of finance or audit nature will require the approval of the CFO, and of a corporate or legal nature will require the approval of the Co Sec.

(a) Approval: Level 1 or CCO or CFO or CoSec

(b) Procedure

(i) Preparation/Execution CCO or CFO or CoSec

(ii) Original copy, where available, or a copy to be held by the Company Secretary.

(iii) Company Secretary to maintain a record of all such documents in either the Company Seal Register (whether or not the document is signed under seal) or Confidentiality Agreements Register (as the case may be).

Note that agreements relating to sales of gas or power require Level 0 approval.

7. AGREEMENTS AND CONTRACTS (Binding)

These include, but are not limited to, Heads of Agreements, Joint Venture, Farm-in and Farm-out Agreements, Service Provider Contracts (eg: EPCM, O&M, transport, port handling and shipping), Licence/Royalty Agreements, Land Access, and Environmental Agreements and such similar agreements and contracts:

(a) Approval

(i) Material Agreement/Contract Terms (Summary Board Paper) Level 0



- | | | |
|-------|--|--------------------------|
| (ii) | Negotiation of Agreement/Contract pursuant to Board approved terms (i.e. as per (i) above) | Level 1 |
| (iii) | Final Draft - reconciliation to Board approved terms | COO, CCO or CFO or CoSec |
| (iv) | Execution | Level 1 and CoSec |
| (v) | Legal Firms – engagement of legal firms in preparing agreements and contracts | CoSec |
| (vi) | Audit Firms – engagement of audit firm for the annual audit and half-year review. All other services provided by the audit firm must be supported by an assessment of the auditor’s independence in accordance with the requirements of the Corporations Act | CFO |

(b) Procedures

- (i) Execution of the agreement/contract to be arranged via the CoSec. Execution documents to be accompanied by the following:
- Completed Company Seal Authority Form; (Note: whether or not the agreement/contract is to be signed under the Company Seal).
 - Completed Material Terms Form; endorsed by the CoSec or the CFO.
 - Extract of the relevant Board minutes, approving the transaction.
- (ii) Corporate Contracts: contracts and/or agreements of a corporate nature should not be advanced without the knowledge of, and as necessary input from, the CFO.
- (iii) Commercial agreements/contracts: aside from the copies required by the Co Sec (as per the Company Seal Authority Form), a copy of all executed “Commercial” agreements/contracts and variations thereto, are to be provided to the COO and CCO.
- (iv) In relation to all corporate and finance contracts/agreements and commercial contracts/agreements the CoSec or CFO is to maintain a central diary system to, inter alia, log critical dates/action items and advise relevant staff members of follow up dates/items.



- (v) In relation to all project and operational agreements and contracts the HGO is to maintain a central diary system to, interalia, log critical dates/action items and advise relevant staff members of follow up dates/items.

8. ENGAGEMENT OF LEGAL ADVISERS

Where possible, fixed price legal quotes should be procured against a defined scope of work. However, it is accepted that in most cases procurement of fixed price legal quotes will not be practical and in such circumstances the following procedures are to apply:

- (a) The engagement of only approved legal firms (in consultation with the Co Sec);
- (b) In the absence of a fixed price quote details of hourly rates and a non-binding estimate should be obtained.
- (b) Provision of monthly accounts by the engaged legal firm and appropriate identification of the matter on the invoice for general ledger input/recording purposes.

9. ENGAGEMENT OF CONTRACTORS/CONSULTANTS (EXCLUDING LEGAL ADVISERS)

Engagement of contractors/consultants may be necessary from time to time where the particular service or expertise is outside of the scope of the Company's personnel.

(a) Approving Authorities

As per Sections 17.0 and 18.0 "Expenditure Approvals".

(b) Procedures

- (i) Written scope of work to be prepared and where practical a fixed price quote obtained.
- (ii) Terms of engagement to be agreed in writing and an original copy of the agreement/contract provided to CoSec and copy to the CFO.
- (iii) Unless otherwise approved at "Level 0" the terms of engagement must include:-
 - o an agreed hourly rate;



- an agreed daily rate cap, or monthly for potentially longer term engagements (i.e. > 2 months).
 - out-of-pocket expenses claimable to be restricted to “reasonable” and actually incurred expenditure and be supported by invoices/payment receipts.
- (iv) The Company’s right to terminate the agreement/contract on 24 hours notice, or 1 week in respect of longer term engagements (> 2 months).
- (v) The Company’s payment obligations on termination restricted to accrued costs/expenditure for actual work completed up until the termination date.

MARKETING & SALES

10. SALES CONTRACTS – GAS / LNG PRICE

Sales Price (non-binding)	Level 0
Sales Price (Binding)	Level 0

11. PRODUCT SALES AGENCY AGREEMENT

Non-Binding	Level 1
Binding	Level 0

12. DISCOUNTING OF TRADE RECEIVABLES

Approval	Level 1
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13. GUARANTEES AND INDEMNITIES

Performance Guarantees and Indemnities may be required to be issued as part of usage agreements and sales contracts.

Where there is such a requirement the following authority levels apply.

to	\$US50,000	Level 1
over	\$US50,000	Level 0



TREASURY

14. BANKING RELATIONSHIPS

The Company may use several banks to reduce counterparty risk and access multiple markets. Banks are/may be, used for the following services:

- Transaction Accounts
- Cash Management Accounts
- Cash Investments
- Foreign Exchange Contracts (Hedging of USD Receipts)
- Discounting of USD receipts

The following banks are approved for each category:

(a) Transaction Banks

Westpac Banking Corporation.

(b) Investment and Foreign Exchange Banks "Relationship Banks"

As approved by either the MD or the CFO.

(c) Entering into Forward Contracts for Foreign Exchange

Approval	Level 0
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15. BANK GUARANTEES

Provision of Bank Guarantees may be required by service providers, etc to support actual or potential payment obligations.

(a) Approving Authorities

- | | |
|---------------|---------|
| • to \$50,000 | Level 2 |
| • > \$50,000 | Level 1 |

(b) Procedures

- Requests for issue of Bank Guarantees are to be directed to the CFO together with a specimen/draft form of Bank Guarantee and relevant approval endorsement.



- Financial Controller to maintain a Bank Guarantee Summary Schedule, with the level of current Bank Guarantees to be included in Board Papers.

16. FIXED TERM DEPOSITS

The company has decided to place funds on fixed-term deposit with various approved financial institutions. From time to time, as deposit accounts mature, the following approval limits and procedures will apply.

(a) Approving Authorities

- Any amount Level 1

(b) Procedures

- Signatories to Term Deposit accounts will be two (2) non-executive Directors and two (2) senior Executives (either the MD, CFO, CCO, COO or CoSec).
- Transactions on Term Deposit accounts require, jointly, one (1) non-executive Director and one (1) Senior Executive to authorise and approve.

EXPENDITURE APPROVALS

17. APPROVED BUDGETED EXPENDITURE

Encompasses all expenditure included in the Company’s annual Budget approved by the Company’s Board, irrespective of whether it is expensed or capitalised for accounting purposes. This will often be via AFE for work items in the field and for technical and general costs (mostly manpower and travel).

- (a) Annual Budget Approval Level 0

(b) AFE approvals

- | | |
|----------------|---------|
| to \$500,000 | Level 1 |
| over \$500,000 | Level 0 |

(c) Purchase Order Approval - General Budgeted Expenditure – individual expense and prepayment of Contracted Operating Expenditure

- | | |
|-------------|---------|
| to \$1,000 | Level 4 |
| to \$5,000 | Level 3 |
| to \$50,000 | Level 2 |



to	\$500,000	Level 1
over	\$500,000	Level 0

Note:

- (i) The above approval delegations apply to approve annual budgets and not ongoing forecasts. All forecasts which exceed approved budgeted expenditure are to be approved pursuant to the relevant AAM provisions.
- (ii) The FC is to provide, on a monthly basis, an “actual versus budgeted/approved” expenditure report to the CFO (by approx the 15th day of the ensuing month), with any actual or potential excesses to the budgeted/approved expenditure identified and the reasons explained.
- (iii) All capital asset acquisitions, as defined by generally accepted accounting principles, require a duly completed and authorised Authority for Expenditure (AFE).
- (iv) All other operating purchases require a properly completed, costed and authorised Tlou purchase order.

18. NON BUDGETED EXPENDITURE

Encompasses all expenditure of any nature (capital or operating) not included in the Company’s approved annual budget:

Non Budgeted Expenditure

to	\$25,000	Level 2
to	\$100,000	Level 1
over	\$100,000	Level 0

Note:

All capital asset acquisitions, as defined by the Taxation Commissioner, require a duly completed and authorised Application for Expenditure (AFE).

19. CHEQUE SIGNATORIES

As approved by the Board. Presently comprises:

- Directors
- MD
- CoSec
- CFO



COO

FC

With any two (2) to sign.

20. TRAVEL AUTHORITY/STANDARD

(a) Authority to approve travel for employees and consultants

Within Australia and NZ	Level 2
Overseas (other than NZ)	Level 1

Class of travel (unless otherwise agreed by Level 1) in general economy unless for a specific purpose.

All travel is to be centrally booked through an approved travel agent(s). No employee, of any Level, is permitted to authorise their own travel arrangements or expenses.

An authorised person is not permitted to authorise their own personal or travel expenditure.

Corporate Credit cards, if issued to employees, can only be used for company business purposes. Corporate credit cards used for private purposes are to be immediately cancelled.

21. ENTERTAINMENT

Single occurrence	Cumulative (per financial year)	
to \$200	\$1,000	Level 3
to \$500	\$2,500	Level 2
to \$1,000	\$5,000	Level 1
over \$5,000	n\a	Level 0

Note: Details to be recorded on invoice/statement including:

- Company Representative
- Person being entertained and company
- Purpose

22. DONATIONS/SPONSORSHIPS

Donations or sponsorships are to be in accordance with approved annual budget and to include any prior year commitment as part of the total in a year. All requests for donations/sponsorships are to be submitted to the CFO for recommendation prior to approval.



Any amount (if included in current approved budget) Level 1

ASSET MANAGEMENT

23. EXPLORATION PERMITS

For entry or exit Level 0

For relinquishment Level 0

24. TENEMENT OR ENVIRONMENTAL BONDS

Requirement at times for issue of exploration permits Level 1

25. SALE OR DISPOSAL OF NON-EXPLORATION ASSETS

Real Estate Level 0

Intellectual Property Level 0

Obsolete Equipment (*greater of written down value in Asset Register or Market Value*)

to \$10,000 Level 2

to \$50,000 Level 1

over \$50,000 Level 0

26. REVALUATIONS OR WRITE OFF OF ASSETS AND RECEIVABLES

Assets are recorded at cost. Receivables are recorded at the contracted sale price. Where there is uncertainty in relation to the recoverability of an asset or receivable a provision for non payment may need to be raised. Where it is ultimately determined that an asset or receivable will not be recovered it may need to be written off.

Provision

to \$10,000 Level 2

to \$50,000 Level 1

over \$50,000 Level 0

Write off

to \$50,000 Level 1

over \$50,000 Level 0

Revaluation Level 1



to	\$50,000	Level 1
over	\$50,000	Level 0

Include approved standard formats for AFE and purchase order as part of the manual.