

## Corporate Governance Statement

The Directors (the “Board”) of Tlou Energy Limited (“Tlou Energy” or “the Company”) are committed to the implementation of the highest standards of corporate governance. In determining what these standards should be, the Board references guidance and supports, where appropriate, the 4<sup>th</sup> edition of the Corporate Governance Principles and Recommendations (“4<sup>th</sup> Edition Recommendations or ASX Recommendations”) established by the ASX Corporate Governance Council (the “Council”).

The Company complies with the corporate governance regime of Australia, being its country of incorporation. In addition, the Directors acknowledge the importance of the guidelines set out in the QCA Guidelines for Smaller Quoted Companies. They therefore intend to comply with the QCA Guidelines so far as is appropriate having regard to the size and nature of the Company and taking into account that it is an Australian company listed on the ASX which complies with existing ASX Recommendations.

This statement outlines the key aspects of Tlou Energy’s governance framework and practices. The charters, policies and procedures are reviewed regularly and updated to comply with the law and best practice. This statement contains specific information and discloses the extent to which the Company intends to or is able to follow the 4<sup>th</sup> Edition Recommendations. The charters and policies of the Company can be viewed on Tlou Energy’s website at [www.tlouenergy.com](http://www.tlouenergy.com) (“website”).

The Council’s recommendations are not prescriptive and, if certain recommendations are not appropriate for the Company given its circumstances, it may elect not to adopt that particular practice in limited circumstances. The Company believes that during the reporting period ending 30 June 2021 its practices are taking into account the size and makeup of the Company is largely consistent with those of the 4<sup>th</sup> Edition Recommendations and where they do not follow a recommendation this statement identifies those that have not been followed and details reasons for non-adherence. Even where there is a deviation from the recommendations the Company continues to review and update its policies and practices in order that it keeps abreast of the growth of the Company, the broadening of its activities, current legislation, and good practice.

This Corporate Governance statement reports on the main practices of Tlou Energy and is current as at the 15 September 2021 and has been approved by the Board of Directors.

### **Role of the Board (Lay solid foundations for management and oversight)**

The Board is responsible for ensuring that the Company is managed effectively as well as demonstrating leadership and defining the Company’s strategic objectives. Given the size of the Company and the Board, the Board undertakes an active role in the management of the Company.

The Board’s role and the Company’s Corporate Governance practices are continually being reviewed and updated to reflect the Company’s circumstances and growth. The Board has adopted a Charter which sets out the responsibilities of the Board, its structure and governance, responsibility for approving the Company’s statement of values and ensuring that the code of conduct to underpin the desired culture within the entity, as well as the matters expressly reserved to the Board and those delegated to management. A copy of the Charter is available on the Company’s website.

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

(ASX Recommendation 1.1)

## The Board of Directors

The Board is currently comprised of five (5) Directors. Details of the Directors who held office during the year under review are namely:

Name of Director	Board Membership	Date of Appointment
Martin Mclver	Non-Executive Chairman	16 September 2010
Anthony Gilby	Managing Director	23 April 2009
Gabaake Gabaake	Executive Director	11 March 2015
Colm Cloonan	Finance Director	11 February 2016
Hugh Swire	Non-Executive Director	22 June 2017
Linah Mohohlo	Non-Executive Director	12 July 2017 (Deceased 2 June 2021)

The skills, experience, and expertise relevant to the position of each Director are set out in the Directors' Report of this Annual Report. Prior to the appointment of a person, or putting forward to shareholders a candidate for election, as a director, the Company undertakes checks which it believes are appropriate to verify a director's character, experience, educations, criminal record, and bankruptcy history. The Company will ensure that all material information in its possession relevant to a shareholder's decision to elect or re-elect a director is provided to shareholder in the Company's Notice of Annual General Meeting.

(ASX Recommendation 1.2)

Each executive director and senior executive of Tlou Energy has an agreement in writing with the Company which sets out the key terms and conditions of their appointment including their duties, rights and responsibilities. There are also Letters of Appointment between the Company and the non-executive directors. Each of these letters of appointment are with the director personally to ensure that the director or senior executive is personally accountable to the listed entity for any breach of the agreement. These agreements contain provisions that amongst other matters include:

- An obligation on the director to disclose his/her interests and any matters which could affect the director's independence;
- a requirement to comply with key corporate policies, including the entity's code of conduct, its anti-bribery and corruption policy and its trading policy;
- the requirement to notify the Company of, or to seek its approval before accepting, any new role that could impact upon the time commitment expected of the director or give rise to a conflict of interest;
- details of the Company's policy on when directors may seek independent professional advice at the expense of the entity;
- indemnity and insurance arrangements;
- ongoing rights of access to corporate information; and
- ongoing confidentiality obligations

(ASX Recommendation 1.3)

## Company Secretary

The Company Secretary is directly accountable to the Board through the Chairman who the Company Secretary has a direct line of reporting to. The Company Secretary is responsible for advising the Chairman and the Board to manage the day-to-day governance framework of the Company. The responsibilities of the Company Secretary are contained in the Board Charter a copy of which is available on the Company's website. The decision to appoint or remove the Company Secretary must be made or approved by the Board.

(ASX Recommendation 1.4)

## Diversity Policy

The Company is committed to creating a fair and inclusive work environment that embraces diversity and recognises its contribution to the Company's commercial success. Where possible it endeavours to recruit staff from within Botswana. As the Company has a relatively small staff at present, the Board does not believe that any benefit would be obtained setting measurable objectives for achieving gender diversity and has not done so. Neither is the Company a 'relevant employer' under the Workplace Gender Equality Act.

A copy of the Company's Diversity Policy can be found on the Company's website.

(ASX Recommendation 1.5)

Improvement in Board processes and effectiveness is a continuing objective, and the purpose of the annual Board evaluation is to identify ways to improve performance and effectiveness of the Board and its committees. The Board has appointed the Chairman, which it believes is the most suitably qualified to carry out the task, as the person responsible for conducting an annual review of the Board's performance.

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

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

During the reporting period, a review of the Boards performance was carried out by the Chairman.

(ASX Recommendation 1.6)

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

An executive management review has been carried out for the current reporting period.

(ASX Recommendation 1.7)

## **Structure of Board to be Effective and Add Value**

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

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

The Board has established a Remuneration and Nomination Committee which reviews Board membership. This includes considering what other skills that might be necessary for the Company to reach its strategic objectives. The Committee is now constituted with two independent non-executive directors and is chaired by an independent director which satisfies y ASX Recommendation 2.1 in those respects but does not meet the minimum 3 member criteria due to the passing of Linah Mahalo who was the Board's third independent non-executive director. When a replacement director is appointed, the Board intends that the person appointed is an independent non-executive director, who will be able to fill this vacancy.

A copy of the Remuneration and Nominations Committee Charter is located on the Company's website.

The Committee's members, the number of times that they have met throughout the reporting period and the member's attendance at those meetings is recorded in the section of the 2021 Annual Report headed "Directors Report".

(ASX Recommendation 2.1)

### Independence

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 regard the Board has

regard to the definition of "independence" in the 4<sup>th</sup> Edition Recommendations. The Board is of the view that the existence of one or more of the relationships in the definition will necessarily result in the relevant Director not being classified as independent, particularly given the criteria outlined above, and that the Company will seek to implement additional safeguards to ensure independence. An overall review of these considerations is conducted by the Board to determine whether individual Directors are independent.

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

ASX Recommendation 2.4 requires that a majority of the Board to be independent Directors. In addition, ASX Recommendation 2.5 requires the Chairman of the Company to be independent. The Council defines 'independence' as being a non-executive director who is not a member of management and who is free from any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the independent exercise of their judgment. Based on this definition, two of the 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 Chairman (Martin McIver) and High Swire are both considered as independent non-executive directors as they both fall within the Council's definition of 'independence' as being non-executive directors who are not members of management and who are 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.

Notwithstanding that the 4<sup>th</sup> Edition Recommendations in respect to the composition of the Board are not strictly followed (being that the majority of the Board should be independent) the Company believes that it had achieved a sufficient balance with 3 independent non-executive directors on the Board. e especially given its history and the formation of the Board reflects certain founding members, it was not practical at this juncture to have a majority of independent Directors.

With the untimely passing of Linah Mahalo this balance has been lost. However, while the Board will endeavour to return the number of independent non-executive directors to equal those of the executive members of the Board, it 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 continue to be monitored as the operations of the Company evolve and appoint appropriately qualified independent Directors as the opportunities and necessity arise.

(ASX Recommendation 2.4 and 2.5)

If a Board vacancy becomes available it will be the responsibility of the Remuneration and Nomination Committee to identify the skills, experience and diversity that will best complement the Board and will then embark on a process to identify a candidate who can best meet those criteria. A skills matrix has been developed and adopted by the Board to help assess the relevant criteria of candidates. The Directors believe the skill base of the current Directors is appropriate for the Company given its size and stage of development.

Detailed below are the professional skills and experience that that Company will and has used to assess the relevant criteria for candidates for appointment to the Board.

#### Board Skills Matrix

- Accounting & Audit
- ASX Board Membership Experience
- Business Management
- Strategic Planning
- Subsurface Knowledge
- Drilling & Completions Construction & Project Management
- Human Resources
- Operational Experience and HSE
- Corporate Governance & Ethics
- Corporate Finance
- Government & Gov Relations

- Legal Public Affairs & Communications
- Management Systems & Risk Management
- Merger & Acquisitions & Corporate
- External Shareholder Engagement Political Acumen
- Industry Stakeholder Engagement
- Social Licence to Operate.
- Foreign Country Operating Experience

(ASX Recommendation 2.2)

Given the size of the Company there is no formal induction process for new Directors, nor does it have a formal professional development program for existing Directors. The Board does not consider that a formal induction program is necessary given the current size and scope of the Company's operations.

Rather any new Director will be provided with a personalised induction which will be dependent upon the skills and experience that any new Director might possess. Any new Director induction will include comprehensive meetings with senior management and the provision of relevant materials such as all the Company's policies and procedures as well as instruction in relation to these.

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

(ASX Recommendation 2.6)

## **Board Charter**

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

## **Conflicts of Interest**

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

## **Independence of Professional Advice**

The Board has determined that individual Directors have the right to seek independent professional advice in connection with any of their duties and obligations as Directors of the Company. Before a director may obtain that advice at the Company's expense, the Director must obtain the approval of the Chairman who will not unreasonably withhold that consent. If appropriate any advice received will be made available to the full Board. No member of the Board availed him or herself of this entitlement during the year under review.

## **Committees**

### **Audit Committee, Risk Committee and Remuneration & Nomination Committee**

The Board delegates specific responsibilities to various Board Sub-Committees. The Board has established the following standing committees:

- An Audit Committee, which is responsible for overseeing the external and internal auditing functions of the Company's activities;
- A Risk Committee, which comprises representatives of the Board and staff to advise and assist the Board in assessing risk factors associated with the operation of the Company; and

- A Remuneration & Nomination Committee, which is responsible for making recommendations to the Board on recruitment and remuneration packages for executives.

The Board has again this year delegated the specific responsibility of overseeing the Company's audit obligations to the Audit Committee. The Audit Committee is currently made up of the following members:

- Hugh Swire – Independent Chair
- Martin McIver – Independent Committee Member
- Colm Cloonan – Committee Member
- Anthony Gilby – Committee Member

## **Instil a Culture of Acting Lawfully, Ethically and Responsibly**

The Board maintains high standards of ethical conduct and the CEO is responsible for ensuring that high standards of conduct are maintained by all staff. The Company's reputation as an ethical business organisation is critical to its ongoing success. The Board has adopted a Code of Conduct covering the practices necessary to maintain confidence in the Company's integrity, the practices necessary to take into account the Company's legal obligations and reasonable expectations of its stakeholders, and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. It is not a prescriptive set of rules but rather a practical set of principles giving direction and reflecting the Company's approach to business conduct.

The Company in recognition of the importance of ethical and responsible decision making has adopted a Corporate Code of Conduct which sets out ethical standards and a Code of Conduct to which all Directors, and Senior Executives will adhere whilst conducting their duties. The CEO is responsible for bringing to the attention of the Board any material breaches of the code.

(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.

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. A copy of the Code of Conduct is available at the Company's website.

(ASX Recommendation 3.1 and 3.2)

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 summary of the law on insider trading and other relevant laws, set out the restrictions on dealing in the Company's securities by people who work for or are associated with Company and assist in maintaining market confidence in the integrity of dealings in Tlou Energy securities. The Policy is posted on the Company's website to ensure that there is public confidence and understanding of the Company's policies governing trading by "potential insiders".

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

The Company has adopted both a Whistle-blower Policy and Anti-Bribery and Corruption Policy copies of which are available on the Company's website. These provide inter-alia that any material incidents that are reported under it are referred to the Board for its consideration and if necessary, action.

(ASX Recommendations 3.3 and 3.4)

## **Safeguard the Integrity of Corporate Reports**

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

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

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

## **Structure of the Audit Committee and Charter**

ASX Recommendation 4.1 states that the audit committee should have at least 3 members consisting only of non-executive directors, a majority of which should be independent with the Chair of the Committee being one of the independent directors who is not the chair of the Company.

During the reporting period, the Committee appointed by the Board did not comply with this recommendation as it comprised then and now of two non-executive Directors and two executive Directors, with the chair of the Committee being an independent Director as prescribed by the ASX Recommendations. Not all the members of the Audit Committee were non-executive, but those that were are considered independent.

Colm Cloonan and Anthony Gilby are members of the Committee who are executive directors. Linah Mohohlo was the Chair of the Committee prior to her passing. Hugh Swire, who is an independent non-executive director, is the current Chair of the Committee. Martin McIver is the other Committee member who is an independent non-executive director.

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

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

The Committee Chair is obliged to report any significant issues arising from the Committee Meetings at the next meeting of the Board and a copy of the minutes of the Audit Committee meetings are provided to the Board.

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

The role of the Audit Committee is to: -

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

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

As a matter of practice the Chief Executive Officer and the Chief Financial Officer are required to make declarations in accordance with section 295A of the Corporations Act that the Company's financial reports present a true and fair view in all material respects of the Company's financial condition and operational results and are in accordance with relevant accounting standards, and to provide assurance that the declaration is founded on a sound system of risk management and internal control, and that the system is operating effectively in all material respects.

(ASX Recommendation 4.2)

The external auditors attend the committee meetings at least twice a year and on other occasions where circumstances warrant as well as being available at the Company's AGM to answer shareholders questions about the conduct of the audit and the preparation and content of the audit report.

The only periodic finance-based reports that the Company releases each year are the Full Year and Half Year accounts along with the quarterly Appendix 5B's. The half year and full year accounts are audited and signed off by the Company's independent external Auditors. While the Appendix 5B's are prepared internally, they are done so utilising the same accounting principles and accounts on which the audited half year and full year accounts are prepared and released. Copies of the Quarterly reports are reviewed by the Auditors as part of the half year and full year audits.

Additionally, the Quarterly reports are circulated to the Board before their release at which time the Board are invited to comment or raise any questions in respect to the same. These reports are released with the authority of the Board.

(ASX Recommendation 4.3)

## **Make Timely and Balanced Disclosure**

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

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

Methods of communication currently employed include:

- Shareholder Updates
- ASX Announcements
- Quarterly Reports
- Half Yearly Reports
- Annual Reports; and
- Shareholder presentations



## **Continuous Disclosure**

The Company is a “disclosing entity” pursuant to section 111AR of the Corporations Act and, as such, complies with the continuous disclosure requirements of Chapter 3 of the ASX Listing Rules and section 674 of the Corporations Act. In addition, the Company is subject to disclosure obligations in respect of the other markets to which it is admitted to trading which includes inter alia the AIM Rules for Companies and the Market Abuse Regulations. Subject to the applicable exceptions contained in these regulations, the Company is required to disclose to the ASX, BSE and via a regulatory news service in the United Kingdom any information concerning the Company which is not generally available and which a reasonable person would expect to have a material effect on the price or value of the Shares.

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

Each director, employee and consultant engaged by the Company will be provided with a copy of the policy while impressing upon them during their induction the importance of the same and its application to them in that role.

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

Under the Company’s policy the Board receives a copy of all material market announcement immediately after they have been made if not beforehand.

(ASX Recommendation 5.2)

The Officers of the Company are committed to:

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

The Company uses its website [www.tlouenergy.com](http://www.tlouenergy.com) as its primary communication tool for distribution of the annual report, market announcements and media disclosures. External communication which may have a material effect on the price or value of the Company’s securities will not be released unless it has been announced previously to the ASX, BSE and via a regulatory news service in the United Kingdom. Effective participation by Shareholders is encouraged at general meetings and procedures have been designed to facilitate this including online voting and the ability of stakeholders to subscribe to receive copies of announcements and reports that are released by the Company.

The Policy is also designed to ensure that equality of information among investors is maintained and applies regardless of whether the presentation contains material new information required to be disclosed under listing rule 3.1 through ensuring that copies of all substantive presentations are released to the Market on the ASX Platform.

(ASX Recommendations 5.1 and 5.3)

## **Respect the Rights of Security Holders**

The Company keeps shareholders and other interested parties informed of performance and major developments via communications through its website. This includes details of the Governance framework adopted by the Company including copies of the Corporate Governance Policies and Charters, which is available at:

[https://tlouenergy.com/corporate\\_governance/](https://tlouenergy.com/corporate_governance/)(ASX Recommendation 6.1)

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

(ASX Recommendation 6.2)

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

(ASX Recommendation 6.3)

The Company considers that communicating with shareholders by electronic means is an efficient way to distribute information in a timely and convenient manner. Therefore, its website contains a function to allow interested parties to subscribe to receive electronic notification of public releases and other relevant material concerning the Company and its activities. Where appropriate and considered by the Board to be substantive, material, or contentious, Resolutions at the Company's general meeting will be conducted by Poll rather than a show of hands. The Board considers that it is not necessary, or the cost justified to conduct all resolutions in this manner.

(ASX Recommendations 6.4 and 6.5)

## **Recognise and Manage 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 focused on ensuring that the Company maintains an effective system of internal control and risk management. The Committee's structure, roles and responsibilities are detailed in the Risk Committee Charter.

Flowing from this, the Company has adopted a Risk Management Policy that governs the Company's approach to managing financial and non-financial risks.

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

Specific functions of the Risk Committee are to: -

- (a) review and oversee the Company's risk profiles as developed and reported by management;
- (b) identify material business risks and monitor emerging risks and changes in the Company's risk profile;
- (c) monitor and review the risk management performance of the Company, including conducting specific investigations where deemed necessary;
- (d) review any legal matters which could significantly impact the Company's risk management and internal control systems, and any significant compliance and reporting issues, including any recent internal regulatory compliance reviews and reports;
- (e) review the effectiveness of the compliance function at least annually, including the system for monitoring compliance with laws and regulations and the results of management's investigations and follow-ups (including disciplinary action) of any fraudulent acts or non-compliance;
- (f) be satisfied that all regulatory compliance matters have been considered in the preparation of the Company's official documents;
- (g) review the findings of any examinations by regulatory agencies and oversee all liaison activities with regulators;
- (h) review and discuss media releases, ASX announcements and any other information provided to analysts;
- (i) review corporate legal reports of evidence of a material violation of the Corporations Act, the ASX Listing Rules or breaches of fiduciary duties;
- (j) review the Company's insurance strategy, including the coverage and limits of the insurance policies, in order to, if thought fit, recommend to the Board for approval; and
- (k) promote an awareness of a risk-based culture in the balance of pursuit of business objectives whilst managing risks.

(ASX Recommendation 7.1)

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

The Company has a qualified Compliance and Risk Manager who has been engaged to oversee the design and implementation of the risk control programme. The Company's Risk Management Policy requires the Board, being guided by the Risk Committee to at least annually undertake a risk review to determine if the existing risk framework is satisfactory considering the material risks faced by the Company.

The Board with the assistance of the Risk Committee has completed a review of the Company's risk management framework during the year under review and determined that the risk management framework that was in place was satisfactory for the present needs of the Company and that it continues to be sound and that the Company is operating with due regard to the risk appetite set by the board.

(ASX Recommendation 7.2)

The Company does not have a formal internal audit function. However, it has adopted a number of internal controls such as identifying key risks in a Risk Register and managing activities within a budget and operational plan. Management led by the Chief Financial Officer periodically undertakes an internal review of financial systems and processes and where systems are considered to require improvement these systems are developed. Delegations of Authority are reviewed annually by the Audit Committee.

The ongoing mitigation and management of financial and operational risks are standing agenda items of the Audit and Risk Committees. The Chief Executive Officer and the Chair of the Audit Committee are responsible for reporting to the Board on a regular basis in relation to whether the Company's material business risks are being managed effectively by the existing management and internal controls systems.

(ASX Recommendation 7.3)

The Company undertakes gas exploration activities and as such faces inherent risks to its business, including economic, environmental, and social sustainability risks which may materially impact the Company's ability to create or preserve value for shareholders over the short, medium or long term. The Board is regularly briefed by management as well as keeping itself abreast of possible material exposure to risks that the Company may face.

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

(ASX Recommendation 7.4)

## **Remunerate Fairly and Responsibly**

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

Given the size of the Board, the Directors have previously determined that the non-executive Directors would execute the functions of a Remuneration & Nomination Committee and have adopted a Remuneration and Nomination Charter. The Board has agreed that the function of the Remuneration & Nomination Committee will be constituted by a majority of independent non-executive directors.

The Board does not believe that any advantage would be achieved at this juncture considering the size of the Company and the Board to have a separately constituted Remuneration Committee to carry out this function.

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

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

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

The names of the members of the Remuneration & Nomination Committee and their attendances at the meetings of the Committee (if held) are set out in the Directors Report which forms a part of the Company's Annual Report. The remuneration paid to Directors and senior executives is shown in the Remuneration Report contained in the Directors'

Report, which includes details on the Company's remuneration policies. There are no termination and retirement benefits for non-executive Directors other than statutory superannuation entitlements.

(ASX Recommendation 8.1)

The Company's policies and practices regarding the remuneration of non-executive Directors, executive Directors and senior executives is set out in the Remuneration & Nominations Committee Charter and in the Remuneration Report contained in the 2021 Annual Report.

A copy of the Remuneration & Nomination Committee Charter is available on the Company's website.

(ASX Recommendation 8.2)

The Company has an equity-based remuneration scheme. The Company's Policy for Trading in the Company's Securities does not specifically prohibit Directors entering into transactions or arrangements which would limit the economic risk of unvested entitlements.

However, all dealings in the Company's Securities do need to be first approved by the Company. The Securities Trading Policy is available on the Company's website.

(ASX Recommendation 8.3)

Approved by the Board

15 September 2021