

Tlou Energy Limited

A.B.N. 79 136 739 967

Consolidated Financial Statements for the half-year ended 31 December 2016

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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 2016.

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:

Anthony Gilby	Managing Director & Chief Executive Officer
Martin McIver	Non-Executive Chairman
Gabaake Gabaake	Executive Director
Colm Cloonan	Finance 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 \$1,153,668 (December 2015: loss \$1,993,250). Information on operations and results during the period are set out below.

Lesedi CBM Project Area, Botswana

The Lesedi CBM Project ("Lesedi") consists of five CBM prospecting licences in Botswana covering an area of approximately 3,800km². These licences are currently the focal point for the Company's operations, in particular PL 002/2004, where a substantial amount of exploration and evaluation has been conducted over recent years. Two of the licences were renewed for a further two years during the half-year, with a renewal application submitted for the other three licences in December 2016.

Prospecting Licence	Expiry	Status
PL 001/2004	March 2017	Renewal application submitted - December 2016
PL 002/2004	March 2017	Renewal application submitted - December 2016
PL 003/2004	March 2017	Renewal application submitted - December 2016
PL 035/2000	September 2018	2 Year renewal received - October 2016
PL 037/2000	September 2018	2 Year renewal received - October 2016

Reserve Certification

Tlou Energy Limited became the first company in Botswana to achieve independently certified CBM gas reserves during the half-year, following certification from SRK Consulting (Australasia) Pty Ltd ("SRK") for the Lesedi CBM Project located in prospecting licence PL 002/2004 in Botswana. The Company is focused on delivering power in Botswana and southern Africa through the development of CBM projects. Lesedi is the most advanced CBM project in Botswana and includes the gas producing Selemo production wells.

The three Selemo production wells, also referred to as pods, each consist of a vertical well and an intersecting horizontal well. Sustained gas rates have been flowing at the Selemo pilot project for some months with the data obtained from the production testing program at Selemo used by SRK in the reserve certification process. Initial reserve certification is a major milestone and demonstrates the commerciality of the Lesedi CBM Project.

Subsequently, in February 2017, a reserves upgrade was achieved at the Lesedi Project area as well as initial reserves over part of the Mamba Project area. The Mamba Project consists of five CBM prospecting licences in Botswana covering an area of approximately 4,500km². The Mamba area is considered to be highly prospective being situated adjacent to Tlou's Lesedi CBM Project.

In accordance with the Society of Petroleum Engineers ("SPE") 2007 Petroleum Resource Management System ("PRMS") Guidelines, as well as the 2011 Guidelines for Application of the PRMS approved by the SPE, SRK has attributed Gas Reserves to Tlou's 100% interest in the Lesedi and Mamba Project permits using the deterministic method of petroleum Reserves estimation as at 1 January 2017. The table below, in billion cubic feet (BCF) and petajoules (PJ), summarises the Company's Reserves position for Lesedi and Mamba as at 1 January 2017.

Directors' report continued

The below information should be read in conjunction with the Company's detailed announcement dated 15 February 2017.

Table 1: Lesedi and Mamba Independent Gas Reserves Certification (Lower Morupule seam only)

Tlou Interest (100%)	Gas Reserves (BCF) ¹			Gas Reserves (PJ) ²		
Category	1P	2P	3P	1P	2P	3P
1 January 2017 certification by SRK	0.17	3.9	261.1	0.14	3.2	242.7

Notes to Table 1:

1. Tlou's Gas Reserves have not been adjusted for fuel or shrinkage and have been calculated at the wellhead (which is the reference point for the purposes of ASX Listing Rule 5.26.5) for the Lower Morupule seam only.
2. The energy content of the gas was determined by SRK at different quantities for the Lower Morupule coal seam based on corehole gas composition in the individual areas where Reserves were certified.

Gas to power project

Tlou has been approved by the Government of Botswana to develop a gas-to-power project having received a detailed Request for Proposal ("RFP") from the Government of Botswana to develop up to 100MW of CBM power in the country. The gas-to-power project is planned to be delivered on a staged basis and can be divided into two distinct parts, upstream, and downstream development, with excellent progress being made in each of these areas.

For the upstream, this includes working with specialist engineers on the gas field development plan aimed at:

- developing the gas field to supply the initial 10MW phase of the project;
- determine capital, operating and maintenance costs; and
- providing a project execution plan to ensure the Company's objectives for the project can be achieved in the desired timeframes.

Work on the field development plan is progressing at pace including work on field design, well locations and orientation, gas gathering, grid integration and transmission lines, which are all key items for development of a successful project.

The downstream process comprises two parts, being the power generation units and transmission lines, with planning, design, and development of the power generation units well underway. The Company has also engaged a specialist African based firm to provide recommendations for the design and installation of the transmission lines to connect to the local power grid in Botswana, including:

- determining the lowest cost and most effective integration point in the local grid for up to 100MW of power generation located at the Company's Lesedi Project starting with an initial 10MW project within two years and ramping up thereafter;
- determining the most feasible route and cost of a transmission line for a 10MW, 50MW and 100MW project; and
- assessing upgrades required in the BPC network at the integration point, if any, and the related costs.

Several corporate initiatives aimed at strengthening the Company and providing funding options for the development of the Lesedi Gas Project are being significantly advanced.

Mamba Project Area, Botswana

The Mamba project consists of five CBM prospecting licences in Botswana covering an area of approximately 4,500km². No operations were conducted in this area during the half-year, with the focus having been on re-interpretation of the data to hand, resulting in the initial reserve certification at the Mamba area. In the event of a gas field development by Tlou, the Mamba area provides the Company with considerable flexibility and optionality.

Licence	Expiry	Status
PL 237/2014	June 2017	Current
PL 238/2014	June 2017	Current
PL 239/2014	June 2017	Current
PL 240/2014	June 2017	Current
PL 241/2014	June 2017	Current

Other items

Placement

During the half-year Tlou completed a successful placement to investors in Australia and the United Kingdom with the proceeds being applied to various items including production testing, reserve certification, and working capital.

Environmental Impact Statement

In 2014 the Company commenced work on its application for an Environmental Impact Statement ("EIS"). This addresses the social and environmental context of the area surrounding the planned wellfield development project at Lesedi and CBM exploration activities in Tlou's Mamba and Lesedi areas. The Department of Environmental Affairs confirmed during the half-year that the EIS has been approved and adequately identified and assessed anticipated impacts associated with the proposed activity. This is another significant development highlighting Tlou's status as the most advanced CBM project in the country. Any new entrants to the market would be expected to acquire an approved EIS prior to commencing either field exploration or development. An approved EIS is also essential prior to the application for a Mining Licence in Botswana. The approved EIS allows for both further exploration work to be conducted on Tlou's remaining prospecting licences and commencement of field development work on the Lesedi Project area. The EIS approval highlights the progress being made by the Company as it transitions from exploration and appraisal towards development.

Directors' report continued

Significant changes in the state of affairs

During the half-year ended 31 December 2016, 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

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

Likely developments and expected results of operations

In 2017 the Company plans to submit their proposal to the Government of Botswana for the development of up to 100MW of CBM power. The Company is also in negotiations with various parties with regards to collaborating with Tlou to finance and develop the initial gas-to-power project. Subject to the results of both the proposal and partner negotiations the Company will commence the development phase of the Lesedi Project including conversion of some prospecting licence areas to a Mining (or Development) Licence. In this event the Company will also continue with further exploration and appraisal work.

Auditor's Independence Declaration

The auditor's independence declaration for the half-year ended 31 December 2016 has been received and is attached to this report.

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



Anthony Gilby
Managing Director

Brisbane
20 February 2017

**Auditor's
Independence
declaration**



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DECLARATION OF INDEPENDENCE BY D P WRIGHT TO THE DIRECTORS OF TLOU ENERGY LIMITED

As lead auditor for the review of Tlou Energy Limited for the half-year ended 31 December 2016, 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.

A handwritten signature in black ink, appearing to read 'D P Wright', followed by a period.

D P Wright
Director

BDO Audit Pty Ltd

Brisbane, 20 February 2017

**Consolidated statement of comprehensive income
for the half-year ended 31 December 2016**

		Consolidated	
	Note	Dec 2016	Dec 2015
		\$	\$
Interest income		801	19,849
Expenses			
Employee benefits expense		(227,073)	(350,516)
Depreciation and amortisation expense		(133,147)	(130,206)
Foreign exchange loss		(55,446)	(83,791)
Share issue costs		-	(779,310)
Performance rights expense		(93,097)	-
Professional fees		(69,871)	(68,420)
Corporate expenses		(6,031)	(52)
Occupancy costs		(23,177)	(42,025)
Other expenses	3	(546,627)	(558,779)
LOSS BEFORE INCOME TAX		(1,153,668)	(1,993,250)
Income tax		-	-
LOSS FOR THE PERIOD		(1,153,668)	(1,993,250)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		1,720,346	(2,422,898)
Tax effect		-	-
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS)		1,720,346	(2,422,898)
TOTAL COMPREHENSIVE INCOME/(LOSS)		566,678	(4,416,148)
Earnings per share			
		Cents	Cents
Basic loss per share		(0.6)	(1.05)
Diluted loss per share		(0.6)	(1.05)

Notes to the consolidated financial statements are attached.

**Consolidated statement of financial position
as at 31 December 2016**

	Note	Dec 2016	June 2016
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents		2,411,332	1,224,404
Trade and other receivables	4	85,429	290,431
Other current assets		62,715	43,969
TOTAL CURRENT ASSETS		2,559,476	1,558,804
NON-CURRENT ASSETS			
Exploration and evaluation assets	5	48,645,866	46,183,722
Other non-current assets	6	995,921	946,675
Property, plant and equipment		338,398	444,358
TOTAL NON-CURRENT ASSETS		49,980,185	47,574,755
TOTAL ASSETS		52,539,661	49,133,559
CURRENT LIABILITIES			
Trade and other payables		194,272	306,956
Provisions		155,201	160,874
TOTAL CURRENT LIABILITIES		349,473	467,830
NON-CURRENT LIABILITIES			
Deferred tax liabilities		369,353	369,353
Provisions		94,000	94,000
TOTAL NON-CURRENT LIABILITIES		463,353	463,353
TOTAL LIABILITIES		812,826	931,183
NET ASSETS		51,726,835	48,202,376
EQUITY			
Contributed equity	8	76,796,253	73,931,569
Reserves		(2,927,670)	(4,741,113)
Accumulated losses		(22,141,748)	(20,988,080)
TOTAL EQUITY		51,726,835	48,202,376

Notes to the consolidated financial statements are attached.

**Consolidated statement of changes in equity
for the half-year ended 31 December 2016**

	Contributed Equity \$	Share Based Payments Reserve \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Total \$
Balance at 1 July 2015	71,606,519	2,062,745	(2,442,989)	(19,985,242)	51,241,033
Loss for the period	-	-	-	(1,993,250)	(1,993,250)
Other comprehensive income	-	-	(2,422,898)	-	(2,422,898)
Total comprehensive income	-	-	(2,422,898)	(1,993,250)	(4,416,148)
Transactions with owners in their capacity as owners					
Share based payments	-	80,101	-	-	80,101
Shares issued, net of costs	2,325,050	-	-	-	2,325,050
	2,325,050	80,101	-	-	2,405,151
Balance at 31 December 2015	73,931,569	2,142,846	(4,865,887)	(21,978,492)	49,230,036
Balance at 1 July 2016	73,931,569	97,001	(4,838,114)	(20,988,080)	48,202,376
Loss for the period	-	-	-	(1,153,668)	(1,153,668)
Other comprehensive income	-	-	1,720,346	-	1,720,346
Total comprehensive income	-	-	1,720,346	(1,153,668)	566,678
Transactions with owners in their capacity as owners					
Share based payments	-	93,097	-	-	93,097
Shares issued, net of costs	2,864,684	-	-	-	2,864,684
	2,864,684	93,097	-	-	2,957,781
Balance at 31 December 2016	76,796,253	190,098	(3,117,768)	(22,141,748)	51,726,835

Notes to the consolidated financial statements are attached.

**Consolidated statement of cash flows
for the half-year ended 31 December 2016**

	Dec 2016	Dec 2015
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees (inclusive of GST)	(1,057,500)	(1,959,245)
Interest received	801	19,849
GST and VAT received	48,331	410,946
NET CASH USED IN OPERATING ACTIVITIES	(1,008,368)	(1,528,450)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for exploration and evaluation assets	(1,003,834)	(4,839,853)
Payment for property, plant and equipment	(4,058)	(24,009)
NET CASH USED IN INVESTING ACTIVITIES	(1,007,892)	(4,863,862)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	3,254,326	2,292,540
Share issue costs	(78,472)	(192,979)
NET CASH PROVIDED BY FINANCING ACTIVITIES	3,175,854	2,099,561
Net increase/(decrease) in cash held	1,159,594	(4,292,751)
Cash at the beginning of the period	1,224,404	7,197,813
Effects of exchange rate changes on cash	27,334	10,024
CASH AT THE END OF THE PERIOD	2,411,332	2,915,086

Notes to the consolidated financial statements are attached.

Notes to the consolidated financial statements for the half-year ended 31 December 2016

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 2016 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 modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The financial report is presented in Australian dollars.

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding interim reporting period except for the impact of the Standards and Interpretations described below. Where required by Accounting Standards comparative figures have been adjusted to conform to changes in presentation for the current financial year.

New or revised accounting standards and interpretations that are first effective in the current reporting period

The group have adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to their operations and effective for the current reporting period. This adoption has not resulted in any changes to the group's accounting policies and has no effect on the amounts reported in the current and prior periods.

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 liabilities approximate their carrying value. No financial assets or 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.

Notes to the consolidated financial statements for the half-year ended 31 December 2016 continued

Note 2. 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 2016 no revenue has been derived from its operations (2015: \$nil).

Segment assets

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

	Dec 2016 \$	June 2016 \$
Botswana	49,979,179	47,574,122
Australia	1,006	633

Note 3. Expenses

Loss before income tax includes the following specific expenses:

Other expenses

- Stock exchange and secretarial fees
- Insurance
- Travel and accommodation

	Dec 2016 \$	Dec 2015 \$
	19,833	73,157
	29,212	33,708
	119,259	111,857
	168,304	218,722

Note 4. Trade and other receivables

Current

Other receivables
GST/VAT receivable

	Dec 2016 \$	June 2016 \$
	13,424	244,369
	72,005	46,062
	85,429	290,431

Note 5. Exploration and evaluation expenditure

Exploration and evaluation assets

	Dec 2016 \$	June 2016 \$
	48,645,866	46,183,722
	48,645,866	46,183,722

Movements in exploration and evaluation phase

Balance at the beginning of period
Exploration and evaluation expenditure during the half-year
Foreign currency translation
Balance at the end of period

	Dec 2016 \$	Dec 2015 \$
	46,183,722	43,559,315
	747,506	3,982,616
	1,714,638	(2,134,834)
	48,645,866	45,407,097

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

**Notes to the consolidated financial statements
for the half-year ended 31 December 2016 continued**

Note 6. Other non-current assets

	Dec 2016 \$	June 2016 \$
Inventory and well consumables	995,921	946,675
	995,921	946,675

Note 7. Contingent liabilities

The Directors are not aware of any contingent liabilities at 31 December 2016.

Note 8. Contributed equity

	Dec 2016 Shares	Dec 2015 Shares	Dec 2016 \$	Dec 2015 \$
Opening balance	205,619,292	187,156,319	73,931,569	71,606,519
Issue of ordinary shares during the year	31,578,947	18,462,973	3,000,000	2,584,816
Share issue costs	-	-	(135,316)	(259,766)
Ordinary shares - fully paid	237,198,239	205,619,292	76,796,253	73,931,569

Performance shares

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

Vesting Date	Exercise Price	01/07/2016	Issued	Movements		31/12/2016
				Exercised	Expired	
31 January 2017	\$0.21	-	2,275,000	-	-	2,275,000
31 January 2017	\$0.28	-	2,275,000	-	-	2,275,000
		-	4,550,000	-	-	4,550,000

The performance shares have the following key terms and conditions:

Tranche	Number	Performance condition
1	2,275,000	The first tranche will only vest once the share price of the Company's securities listed on the ASX reaches \$0.21 and closes at that price or above for a period of 10 consecutive trading days.
2	2,275,000	The second tranche 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.
Forfeiture		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 2016 continued

Note 9. 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 2016	June 2016
	\$	\$
• not later than 12 months	26,351,205	25,668,594
• between 12 months and 5 years	816,819	-
	27,168,024	25,668,594

Note 10. 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 2016 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) of the *Corporations Act 2001*.

On behalf of the directors



Anthony Gilby
Managing Director

Dated at Brisbane this 20th day of February 2017

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Tlou Energy Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Tlou Energy Limited, which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

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 consolidated entity's financial position as at 31 December 2016 and its 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 Tlou Energy Limited, 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 Tlou Energy Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

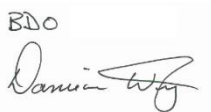
Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Tlou Energy Limited is not in accordance with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its 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 consolidated entity's ability to continue as a going concern and therefore the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

BDO Audit Pty Ltd



D P Wright
Director

Brisbane, 20 February 2017