

TLOU ENERGY LIMITED**23 April 2018**

Tlou Energy Limited**("Tlou" or "the Company")****OPERATIONAL REPORT - QUARTER ENDING 31 MARCH 2018**

Tlou Energy Limited, the ASX, AIM and BSE listed company focused on delivering power in Botswana and southern Africa through the development of coal bed methane ('CBM'), is pleased to provide its operational report in respect to its Lesedi and Mamba CBM Projects in Botswana for the quarter ended 31 March 2018.

Highlights

- The first core-hole to be drilled in the Mamba area, was completed successfully during the quarter
- Tlou has purchased a drilling rig to facilitate drilling of multiple additional core-holes to further expand Gas Reserves
- Botswana's 100MW CBM gas-to-power tender is to be retendered following cancellation of the original tender process
- Tlou achieves a significant increase in Gas Reserves
 - 2P (Proved and Probable) Gas Reserves increased 944% to 40.8 billion cubic feet ('BCF')
 - 3P (Proved, Probable and Possible) Gas Reserves increased by 63% to 426.6 BCF

Lesedi CBM Project Area, Botswana

Licences: Mining Licence 2017/18L, Prospecting Licences 001 & 003/2004 and 35 & 37/2000

Ownership: Tlou Energy Limited 100%

The Lesedi project in Botswana covers an area of approximately 3,800 km² and consists of four Coal and CBM Prospecting Licences (PL) and a Mining Licence. The Mining Licence area is currently the focal point for the Company's operations and includes the Selemo pilot project where the Company commenced gas production in 2016.

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The status of the Lesedi area licences is as follows:

Licence	Expiry	Status
Mining Licence 2017/18L	August 2042	Current
PL 001/2004	March 2019	Current
PL 003/2004	March 2019	Current
PL 035/2000	September 2018	Current
PL 037/2000	September 2018	Current

Renewal applications for PL 035/2000 and PL 037/2000 are planned to be submitted in June 2018.

Mamba Project Area, Botswana

Licences: Prospecting Licences 237-241/2014

Ownership: Tlou Energy Limited 100%

The Mamba project consists of five Coal and CBM PL's in Botswana covering an area of approximately 4,500 km². The Mamba area is considered to be highly prospective being situated adjacent to Tlou's Lesedi CBM Project and being on-trend with the encouraging results observed to date. In the event of a gas field development by Tlou, the Mamba area provides the Company with considerable flexibility and optionality.

The status of the Mamba area licences is as follows:

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

Core-hole drilling and rig purchase

In late 2017, work commenced on a core-hole in the Mamba project area. This was the first core-hole drilling by Tlou in this project area and was completed successfully early in 2018. The Mamba project is strategically important to the Company as it provides an option to develop another project that would be potentially significant in size alongside or as an alternative to the Lesedi project area.

Tlou has also purchased a low-cost core drilling rig. The rig has low hours and will be ideal for obtaining coal and gas data in regions of sparse geological information, noting that the Company holds 100% of licences covering over 8,000 Km². Owning the core rig and other recently purchased gas testing equipment, will greatly reduce the cost of future core-hole drilling.

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Core-hole information assists with the addition of gas reserves and resources and it is to this end that the Company intends to use the rig to obtain additional subsurface information once the rig arrives on location in May 2018. This also brings field operations more under the direct control of the Company in terms of timing of coring programs, maintenance, and health and safety. It also leads to additional direct employment of local staff by Tlou.

Key benefits of drilling further core-holes include:

- Confirming coal quality, thickness, and gas content in previously un-drilled areas of the Lesedi and Mamba projects;
- Acquiring new information to expand the Company's gas reserves and contingent resources;
- Providing additional data that can be used to determine optimum locations for project development as well as high-grading areas for further development in both the Lesedi and Mamba project areas.

The Company is also considering the purchase of another rig capable of drilling lateral and vertical production wells. There is a paucity of suitable rigs available regionally and the purchase of a rig would give the Company increased optionality and potentially offer significant cost savings compared to using external drilling contractors.

100 MW Tender

During the quarter the Company received confirmation that Botswana's Ministry of Mineral Resources Green Technology and Energy Security ('the Ministry') has requested that the Request for Proposal (RFP) for Development of up to 100MW of CBM fuelled power plants in Botswana be re-tendered, with both Tlou and the other shortlisted party to be invited to submit a bid under a new re-tender process.

The initial RFP was issued in early 2017 and Tlou submitted a detailed response to the Ministry in September 2017. Tlou's submission outlined a staged development commencing with up to 10MW of generation as well as outlining project feasibility, proposed field development, installation of power generation facilities and supply of power into the grid in Botswana.

Following cancellation of the initial tender, the Company has written to the Ministry and suggested the establishment of a smaller pilot project without the necessity for a long tender process. This could be run in advance of or in addition to the proposed RFP re-tender.

Subsequently, Tlou's Managing Director has met with key stakeholders in Botswana. The tender cancellation appears to have been largely procedural. Feedback is that Tlou's project remains very

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well supported within government as evidenced by their intention to re-tender to Tlou. The fact that the project could be Botswana's first gas to power project, that it leads to energy security for the country, that it represents cleaner energy and that it creates jobs in Botswana are all points that resonate extremely well within official circles.

The Company is confident that a favourable outcome can be achieved due to the good working relationship with the Ministry and the eagerness on both sides to get the CBM industry up and running in Botswana. The Company expects to receive a response during Q2 2018, however the definite timing of a response from the Ministry is not yet known following recent Government changes in Botswana. An offtake agreement is not vital for the Company to commence development, as the Company can connect to the local grid and sell electricity into the regional spot market in any case.

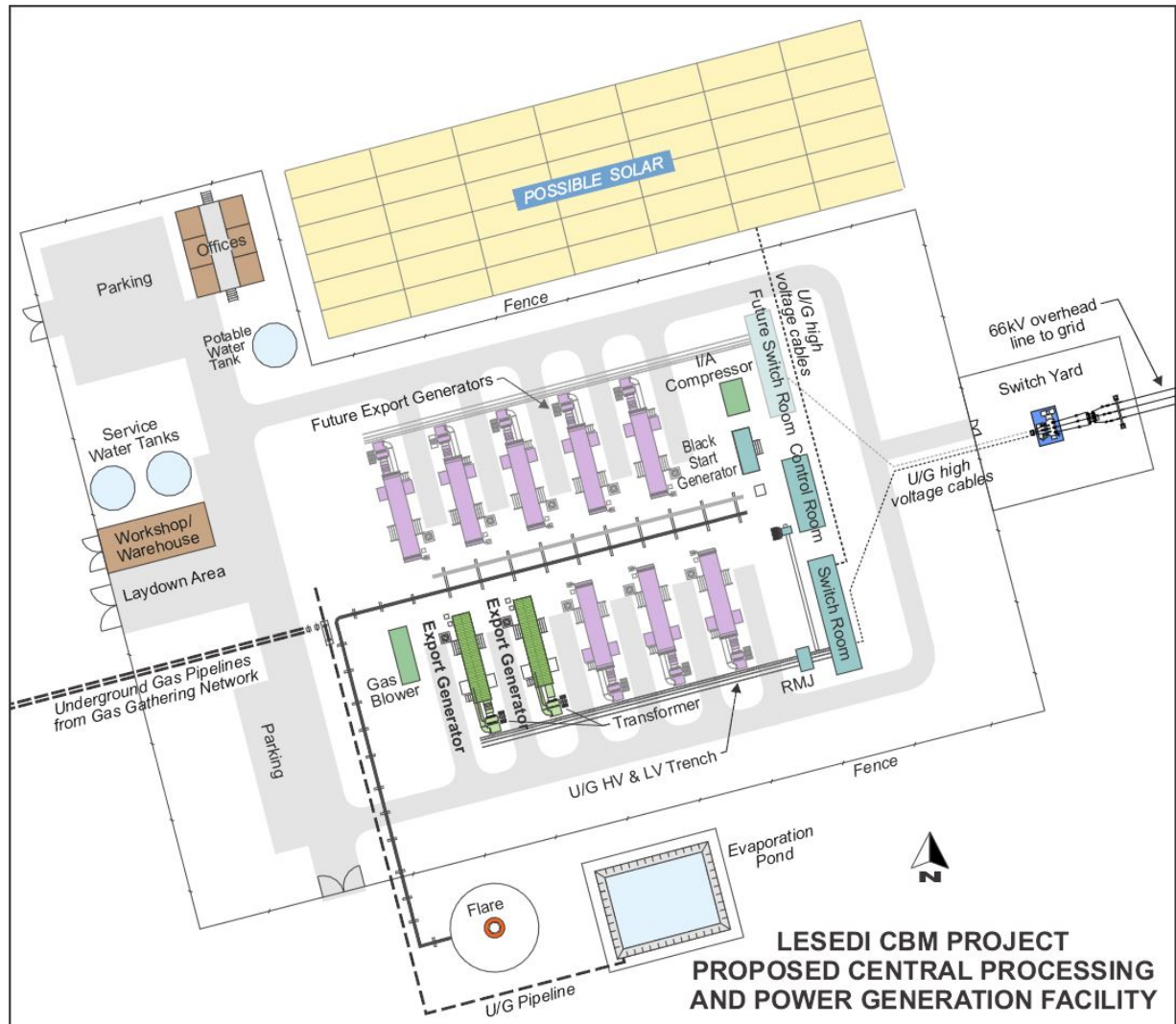
On 1 April 2018 His Excellency President Mokgweetsi E. K. Masisi was sworn in as the new President of Botswana and Honourable Eric M. Molale has been appointed as Minister for Mineral Resources Green Technology and Energy Security. The Company looks forward to working with His Excellency President Masisi and Honourable Minister Molale to develop the CBM industry in Botswana and bring vital energy security and local employment to the country.

Environmental and Social Impact Assessment

In 2016 Tlou Energy received environmental approval for the development of a CBM wellfield, the central processing unit (which is to house the gas and water processing and power generators) and the development of a new base camp to accommodate staff for field drilling, infrastructure construction, and on-going operation and maintenance.

The Company has commenced work on an Environmental and Social Impact Assessment (ESIA) for proposed transmission lines and power generation facilities to tie the wellfield to the regional power grid. This ESIA will cover 1-20 MW of CBM power generation, 1-20 MW photovoltaic (PV) solar array and a 66 kV transmission line.

The size of the initial power generation is planned to start at 1 MW and be scalable up to 20 MW. A separate EIA process would be conducted later for larger projects up to and above 100 MW. Tlou intends to place the power generators close to the gas wellfield in the Lesedi project and link them to the existing BPC Serowe substation via a 66 kV wooden pole power transmission line.

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The power generators will be Jenbacher J320 type engines or similar. Each unit will deliver 1 MW of power. Off-the-shelf, containerised generator packages are delivered to site thus ensuring minimal construction activities and a quick start up. There also will be a 1-20 MW PV solar array developed adjacent to the Lesedi site. The transmission lines will be about 95-100 km in length and be connected to the existing Botswana Power Corporation (BPC) substation in Serowe.

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Serowe Substation, Botswana

The Company is planning to build the necessary infrastructure to connect to the existing electricity grid and then selling power into the Botswana market under either a power purchase agreement or on an “as required” basis. Power could also be sold to neighbouring countries by ‘wheeling’ electricity through the existing Southern African Power Pool (SAPP) transmission network.

The possibility of installing solar power generation at the proposed Lesedi gas processing and power generation facility is also favourable as solar can work very efficiently in combination with gas-fired power generation. This could also serve to attract wider investor interest to the project.

Increase in Independently Certified Gas Reserves

The Company achieved a very significant upgrade in Gas Reserves which reinforces the commerciality of the Lesedi and Mamba projects. This followed a seismic survey and core-hole drilling campaign in late 2017 and early 2018 that, along with the Selemo pilot wells producing sustained gas flows for a substantial period of time, confirms that there is huge gas production potential for Tlou’s project area. Ongoing work to assess this potential continues in tandem with planning for connection to the power grid and selling electricity into the huge local and regional market.

The Lesedi and Mamba projects potentially represent an extremely valuable resource for Tlou’s shareholders. This Reserves upgrade provides continued confidence for the Company to invest in additional appraisal activities aimed at further increasing certified Gas Reserves. Adding Reserves, and

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planning for grid connection, reinforces the Company's objective to become the first company to sell power generated by CBM gas in Botswana.

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 31 December 2017.

The table below, in Billion Cubic Feet (BCF) and Petajoules (PJ), summarises the changes to the Company's Reserves position for Lesedi and Mamba as at 31 December 2017.

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

Tlou Interest (100%)	Gas Reserves (BCF) ^{1 & 2}			Gas Reserves (PJ) ^{2 & 3}		
Category	1P	2P	3P	1P	2P	3P
01 January 2017 certification by SRK	0.17	3.9	261.1	0.14	3.2	242.7
31 December 2017 certification by SRK	0.35	40.8	426.6	0.31	35.7	373.7
Increase	0.19	36.9	165.5	0.17	32.5	131.0
Increase (%)	113%	944%	63%	126%	1007%	54%

Notes to Tables 1 above:

- 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) Gas volumes are expressed in billions of cubic feet (BCF) at standard temperature and pressure and in Petajoules (PJ).
- 3) The energy content of the gas at 31 December 2017 was determined by SRK as 0.876 PJ per billion cubic feet for the Lower Morupule coal seam based on core-hole gas composition in the individual areas where Reserves were certified.

SRK has consented to the information in this announcement being released.

Additional information in relation to the gas Reserve estimates for ML 2017/18L, PL001/2004 (Lesedi CBM Project) and PL's 238/2014, 239/2014, 240/2014, 241/2014 (Mamba CBM Project), which is the subject of this announcement, and required to be disclosed pursuant to Chapter 5 of the ASX Listing Rules, is set out in Appendix 1 of the Company's ASX announcement dated 20 February 2018.

The Reserves assessment received from SRK represents an updated independent certification that is based on SRK's review of exploration activities conducted in 2017 (comprising the ~260 km 2D seismic

TLOU ENERGY LIMITED**Notes to Table 2 above:**

Gas Resource numbers have been rounded to the nearest tenth for amounts less than 100 BCF, otherwise to the nearest whole number. Refer to Competent Persons Statement in Appendix 2 of the Company's ASX announcement dated 20 February 2018.

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 Listing Rule 5.26.5).

2) Contingent Gas Resources are (100%) Unrisked Gross and are derived from the SRK certification at 31 March 2015 for all coal seams (as previously announced by Tlou on 9 April 2015) with adjustment for the gas volumes which have now been certified by SRK in the Gas Reserves category.

3) ASX Listing Rule 5.28.2 Statement relating to Prospective Resources:

The estimated quantities of petroleum gas that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

4) The Gas Reserves and Contingent Gas Resources for all coal seams in PL001/2004 and ML 2018/18L shown in the second row of Table 2 includes the numbers for the Lower Morupule coal seam which are shown in the first row of Table 2.

5) The current Reserves assessment by SRK which is the subject of this announcement did not include a review and assessment of additional Contingent Resources in the Lesedi Project Area or Contingent Resources in the Mamba Project area.

6) Prospective Gas Resources are (100%) Unrisked Gross and are derived from a report to Tlou from Netherland, Sewell and Associates Inc (NSAI) dated 16th February 2012 regarding certification for all coal seams located in the remaining prospecting licences (as previously announced by Tlou in its prospectus dated 20 February 2013).

Overview of SRK

SRK is an independent, international group providing specialised consultancy services with expertise in petroleum studies and petroleum related projects. In Australia, SRK has offices in Brisbane, Melbourne, Newcastle, Perth and Sydney. SRK has completed Reserves and Resource assessments for a number of clients in Australia.

Corporate

Priorities for the Company remain, to secure a clear pathway towards a gas to power pilot project PPA (Power Purchase Agreement) either via the government tender process or directly with Botswana Power Corporation (BPC), a third party or a combination of these options and to advance field work to add to the Company's existing Independently Certified Gas Reserves and Contingent Resources.

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Tlou's Managing Director met with BPC during the quarter. The objective of meeting was to determine if the Tlou pilot power generation project could fit under their existing mandate to advance energy security and cleaner energy. The Company's proposal was enthusiastically received at the top of the organisation which demonstrates another pathway to grid connection separate from the more involved tender process. The Company emphasized that Tlou was flexible on requirements in order to advance the pilot generation project sooner rather than later with the objective of facilitating grid connection in the first instance.

The Managing Director also met with Botswana Development Corporation (BDC), a potential source of significant development capital. Based on a series of meetings with BDC, the Company is confident that the Lesedi CBM project fits within BDC's existing mandate and therefore provides a platform for advancing discussions between Tlou and BDC.

BDC's mandate includes: "Pioneering new industries; Unlocking value in existing industries; Stimulating private sector growth and foster linkages with local industries; driving diversification and exports; creating significant employment". The Company believes that development of the Lesedi CBM Project meets all of these requirements.

Further discussions have continued with other potential regional off-takers. These negotiations remain confidential and the Company will update the market as soon as any agreements are entered into.

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Company Information

Tlou Energy is focused on delivering Gas-to-Power solutions in Botswana and southern Africa to alleviate some of the chronic power shortage in the region. Tlou is developing projects using coal bed methane ("CBM") natural gas. Botswana has a significant energy shortage and generally relies on expensive imported power and diesel generation to fulfil its power requirements. As 100% owner of the most advanced gas project in the country, the Lesedi CBM Project, Tlou Energy provides investors with access to a compelling opportunity using domestic gas to produce power and displace expensive diesel and imported power.

The Company is listed on the Australian Securities Exchange, London's AIM market and the Botswana Stock Exchange and is led by an experienced Board, management and advisory team including individuals with successful track records in the CBM industry.

Since establishment, the Company has significantly de-risked the project in consideration of its goal to become a significant gas-to-power producer. The Company flared its first gas in 2014, holds a Mining Licence and nine Prospecting Licences, covering an area of ~8,300 km² in total. The Lesedi project already benefits from significant independently certified Contingent Gas Resources of ~3 trillion cubic feet (3C), and independently certified Gas Reserves of ~427 billion cubic feet (3P) and ~41 billion cubic feet (2P).

The Company is planning an initial scalable gas-to-power project. Following successful implementation of this first scalable project, the Company plans to expand to provide further power across the southern African region.

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Lesedi and Mamba CBM Project permits and surrounding power infrastructure

