

TLOU ENERGY LIMITED**26 July 2018**

Tlou Energy Limited**("Tlou" or "the Company")****OPERATIONAL REPORT - QUARTER ENDING 30 JUNE 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 30 June 2018.

Highlights

- Core drilling rig wholly owned by Tlou onsite with operations aimed at upgrading sub-surface data in the project areas
- Successful capital raising completed raising approximately AUD\$8m
- Preparations for drilling of new pilot production wells close to the proposed central processing facility are under way

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.

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 – Renewal application submitted
PL 037/2000	September 2018	Current – Renewal application submitted

TLOU ENERGY LIMITED**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 early 2018 Tlou purchased a core drilling rig which arrived on site this month. 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.

Once commissioned the rig will be prepared for a core well drilling campaign in advance of proposed pilot well drilling. In addition, Tlou already has its own desorption testing facilities onsite which allows the Company to test core-hole samples without the requirement to mobilise third party personnel. Owning the core rig and gas testing equipment is expected to greatly reduce the cost of Tlou's core-hole drilling and core sample analysis.

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. 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.

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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.

**CBM Tender**

Earlier this year 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.

Being one of the most advanced CBM projects in Botswana, with gas reserves in place, having environmental approval for upstream development and a mining licence secured allowing the Company to commence development operations, the Company is very eager to receive the re-tender document and review the terms therein.

Earlier this month, members of the Tlou board met with the Minister of Mineral Resources Green Technology and Energy Security, the Honourable Minister Molale, in Gaborone, Botswana. The

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Honourable Minister was very knowledgeable on Tlou's project and appreciated the huge investment Tlou had made in Botswana to date, the potential positive impact the project can bring to the country and that it made perfect sense for the project to succeed as Botswana needs the power and Tlou has the gas. The Minister expressed his concern that the tender had not progressed further already especially as the project had been approved by cabinet some time ago. The meeting also highlighted the other advantages the project can bring including energy security and vital long term sustainable direct and indirect local employment opportunities.

Tlou is also considering whether it should become a member of the Southern African Power Pool ("SAPP") as an Independent Power Producer ("IPP") and what the costs and benefits of membership would be. Currently Tlou is investigating whether it is practical to potentially become an IPP member of SAPP to either trade in the SAPP or to have some form of contract with an existing SAPP member for an offtake.

Capital raised to progress activities

In June and July 2018, the company completed a Non-Renounceable Entitlement Offer ("Entitlement Offer") whereby existing eligible shareholders were invited to subscribe for 1 Offer Share for every 6 ordinary shares held at a price of A\$0.10 (£0.0575) per Offer Share. In addition, the Company successfully placed shares with institutional investors in the UK and Australia. Following the Entitlement Offer and placements a total of approximately AUD \$8m was raised.

The net proceeds of the placements and the Entitlement Offer, along with existing cash, will mainly be applied by Tlou towards drilling of production pods, core-hole drilling regulatory approvals and working capital.

The Company intends to commence production pod drilling in the Q3 2018 with dewatering to be completed prior to planned production testing, installation and commissioning of power generation facilities. The proposed production pods, referred to as Dual Lateral Pods, consist of two lateral or horizontal wells that intersect a vertical well. Up to three pods are anticipated subject to funds and operational parameters. The pods will be drilled in areas identified as being potentially highly suited for initial project development, where quality seismic and core-hole data exists. In addition, the reserve certifiers have indicated that drilling of production pods in a slightly different orientation to existing wells has the potential to enhance gas production rates. The work program, if successful, could de-risk the project even further and add to the Company's independently certified gas reserves at the Lesedi CBM project.

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A proportion of the capital raised is also planned to be used towards further core-hole drilling operations, using the core-drilling rig recently purchased by the Company. Additional core-hole data can upgrade the existing data control over the project and could assist with reserves and contingent resources expansion.

Progressing environmental and licencing requirements for project development is also planned. This includes the Environmental Impact Assessment for the downstream component (transmission lines, gas and potential solar generation) of the project. The Company has already secured approval for upstream development (i.e. field operations including drilling of production wells and further exploration wells).

The Company will also continue negotiations to secure offtake or power purchase agreements with interested parties and in the coming weeks plans to apply for a Generation licence in Botswana, which is required to generate and sell power in the country.

Funds will also be used to cover working capital requirements including general and administrative costs across the Company's three stock exchange listings on ASX, AIM and BSE.

With this funding in place, Tlou is currently working with its geological and drilling consultants on optimising the production well design which it hopes will lead to the wells delivering enhanced flow rates. Long lead items have now been ordered with drilling of the first of the production wells scheduled to begin during Q3 2018.

The Company's priorities remain to:

- secure a clear pathway towards a gas to power pilot project Power Purchase Agreement in Botswana;
- Connect to the Power grid in Botswana which facilitates access to the Southern African Power Pool;
- Further de-risk the Lesedi project by the drilling of additional dual lateral pods in the Company's mining licence area to prove up additional gas reserves and enhance commercial gas flow rates;
- Expand the Company's reserves and contingent resources footprint through further core-hole drilling, core-sample analysis, and seismic surveys subject to funding.

In addition, the company will continue to progress other options including:

- Offtake opportunities outside Botswana to service the enormous regional power demand;
- Investigating possibilities for the Company to expand into other countries.

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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 ~8,300Km² in total, and the Lesedi Project

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already benefits from significant independently certified Contingent Gas Resources of ~3.2 trillion cubic feet (3C) and independently certified Gas Reserves of ~261 billion cubic feet (3P).

The Company is planning an initial scalable gas-to-power project. Following successful implementation of this first scalable project, the Company looks forward to evaluating longer-term prospects for the delivery of electricity generated from CBM in Botswana to neighbouring countries.

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Lesedi and Mamba CBM Project permits and surrounding power infrastructure

