

TLOU ENERGY LIMITED**26 November 2019**

Tlou Energy Limited
("Tlou" or "the Company")**Operational and Corporate Update**

Tlou Energy Limited, is an ASX, AIM and BSE listed company focused on developing gas-to-power projects in southern Africa using coal bed methane ("CBM") from its gas field in Botswana.

Key Points

- Gas continues to flow at the Lesedi CBM project;
- Short term gas flow rates have been higher than rates previously announced;
- Company awaiting additional feedback from the government on Power Purchase agreement;
- Project finance discussions to connect to the grid have made good progress.

Over the past few months, the Company has been concentrating on three key issues required to advance the Lesedi gas-to-power project into production:

- 1. Lateral well dewatering and gas flow rates;**
- 2. Agreeing a Power Purchase Agreement (PPA) with the Government of Botswana;**
- 3. Securing project finance to produce power and connect to the grid.**

1. Lateral well dewatering and gas flow rates

The Company previously announced initial gas flow rates of approximately 20 Mscfd (thousand standard cubic feet per day) from each of the Lesedi 3 and Lesedi 4 production pods. Since then, gas flows have continued with periodic short-term rates significantly higher than those initially announced. To date, the Company is very pleased with the performance of both wells.

The current operational objective of the lateral well dewatering process is to attain sustained gas flow rates at commercial levels. The Company is aiming for a minimum sustained gas flow rate in the region of 80-100 Mscfd from each production pod. As part of the ongoing dewatering process, gas flows are prone to fluctuations which is normal. As water continues to be removed from the coal, the coal is expected to become more gas saturated and a corresponding increase in sustained flow rates should be observed.

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It should be noted that the continued production of water from the coal is a sign of good reservoir permeability which potentially means that the wells will, with time, produce gas from a larger area and at a higher rate than would otherwise be the case.

The amount of water being produced from the coal is indicated by the revs per minute (rpm) of the water pumping equipment. A higher rpm is indicative of a higher water flow given a consistently maintained water level. It is considered that the dewatering objective will start to be achieved once the rpm is consistently less than 100. The rpm originally started well above 300 and is now generally in the range of 100 to 200 rpm.

As water is removed from the coal reservoir, a build-up of coal fines within the lateral wells can occur. If not carefully managed, this can lead to blockages and reduced communication between the lateral wells and the vertical production well. To minimize the potential for this to occur and correspondingly to reduce unanticipated down-time, the wells must be carefully managed during this dewatering stage. This is time consuming but essential.

The Company has no reason to believe that the targeted commercial gas flow rates will not be achieved. However, due to a lack of comparable data in the Company's operating environment (being that Tlou is the first to attempt dewatering of the Lower Morupule Coal at depth in Botswana) the Company cannot predict exactly when potentially commercial gas flow rates will be achieved.

With initial flow rates already announced, short term rates being higher, and the coal seam still to become gas saturated, the Company is very confident that sustained commercial gas flows will be attained from the Lesedi pods.

2. Power Purchase Agreement

The Company submitted a proposal to Botswana's Ministry of Mineral Resources Green Technology and Energy Security (MMGE) in 2018 for the development of a CBM Gas-to-Power plant. The Company was subsequently selected as a preferred bidder for this project and is now awaiting further progress on negotiations with MMGE.

The PPA timetable is not under Tlou's control, however the Company continues to seek progress wherever possible to ensure that the project remains on schedule to benefit not only Tlou shareholders but also the local population. The latter will benefit from the development of a new industry, additional employment opportunities and a cleaner source of locally produced power, ultimately leading to energy security for Botswana.

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On a positive note, we are very glad to see the appointment of Honourable Minister Lefoko Maxwell Moagi to MMGE and look forward to working closely with the Honourable Minister in the near term to deliver Tlou's CBM project. The Tlou project is consistent with the Country's objective of a Botswana which is energy secure, has diversified and cleaner energy sources, and is a net energy exporter.

3. Project Finance

The Company has been negotiating project finance for some time, with Botswana Development Corporation (BDC) being the leading candidate to provide the initial capital required to commence power production from the Lesedi CBM project and connect to the grid. BDC has indicated that they will provide the Company with a funding proposal in the near term. The Company and BDC have been discussing the relative merits of BDC providing up to \$30m to develop the first 10MW of the Lesedi Gas-to-Power project (noting that \$10m is considered by Tlou as the minimum required to connect 2MW to the grid).

The Company has also advanced other potential sources of (primarily hybrid) financing if the agreement with BDC does not materialise in a timely manner and has received expressions of interest from third parties.

The concept of a "low carbon power bond" is also being considered with the objective of funding combined gas and solar power generation. It is noted that there is a strong interest in solar energy in Botswana and solar often works efficiently when supported by gas-fired base load power. Tlou has existing environmental approval for up to 20MW of gas fired power generation and up to 20MW of solar power generation.

Summary

Tlou recognises that progress has been slower than anticipated in recent times, particularly in relation to the PPA. However, the Company is reassured by the continued performance of the Lesedi 3 and 4 production pods which continues to build the business on very solid operational foundations. The long period of time that it has taken to advance a PPA will hopefully be soon resolved following the appointment of the new minister to the MMGE and project finance options should come to fruition once a PPA and/or a generation licence is in place.

The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

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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) gas. Botswana has a significant energy shortage and generally relies on 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 electricity.

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 and has a 100% interest over its Mining Licence and ten Prospecting Licences covering an area of ~9,300 Km² in total.

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The Lesedi and Mamba Projects already benefit from significant independently certified 2P gas Reserves of ~41 BCF. In addition, 3P gas Reserves of ~427 BCF and Contingent Gas Resources of ~3,043 BCF provide significant additional potential.

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.