



30 July 2020

Tlou Energy Limited
("Tlou" or "the Company")

OPERATIONAL REPORT - QUARTER ENDING 30 JUNE 2020

Tlou Energy Limited is an ASX, AIM and BSE listed company focused on delivering power in Botswana and southern Africa through the exploration and development of gas and solar.

Power Purchase Agreement (PPA)

During the quarter, the Company agreed an interim 2MW CBM Pilot PPA with Botswana Power Corporation (BPC) which is viewed by the Company as a major step forward. Regulatory approvals have been completed and the Company is awaiting a meeting with BPC to sign the PPA. The interim PPA facilitates connection to the power grid and first revenue for the Company. A pathway to revenue generation is key for the Company and once connected to the grid, expansion of the project is expected to be relatively straightforward.

Generation Licence

Tlou also received the formal certificate of its Electricity Generation Licence from Botswana Energy Regulatory Authority (BERA) during the quarter along with conditions of the licence. The licence has a term of 15 years, is for the generation of 2 MW of CBM gas and solar power generation at the Lesedi project for sale to BPC at the approved BPC tariff, as well as a series of standard conditions.

With a PPA agreed and a generation licence, the Lesedi project has been largely de-risked with various regulatory approvals in place that facilitate project development including:

- A Mining Licence for gas development valid until 2042;
- Environmental Impact Assessment (EIA) approval for upstream development comprising production wells, water handling, seismic, gas gathering pipelines and a gas processing facility;
- EIA approval for downstream development comprising 20MW of gas fired power generation and 20MW of solar generation;
- EIA approval for power station site and transmission line;
- Serowe Sub-Land Board approval for transmission line wayleave application (subject to compensation agreements). In addition, the route survey has been completed.

10 MW Tender

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 10MW CBM Gas-to-Power plant. The 10MW proposal is separate to the 2MW interim PPA. BPC and MMGE continue to assess the 10MW proposal and will advise the Company in due course. The Company understands that the tender is currently being assessed by the Attorney General's Chambers in Gaborone. The adjudication of this tender may be delayed due to the Covid19 pandemic and the Company has not been provided with an expected timeline for when final award of the tender will be confirmed.

Lesedi 3 & 4 Production Pods

The Lesedi 3 and 4 production pods have now produced gas for many months with sustained gas flow rates having been achieved from both pods. Increased sustained gas flow rates are anticipated to take some considerable time, based on the currently available data. However, it is anticipated that drilling of additional wells in the area will facilitate the dewatering process.

Lesedi 4 continues to dewater and produce gas, while Lesedi 3 has been shut-in during the quarter under review. Shutting-in wells reduces unnecessary expenditure and stops the flaring of gas. Bringing a pod back on-line should not take too long given the current understanding of the production process gleaned from the comprehensive data base acquired.

Covid19 Update

Covid19 has had an impact on business in Botswana. Many businesses including government departments are operating at reduced capacity and some staff are working from home. Airports remain closed to international travel so some of Tlou's senior management and field staff have no access to the country which may impact corporate negotiations and field operations. The Company has senior staff on-site at all times to manage the field operations including monitoring of the Lesedi 4 production pod.

Transmission Line

One of the last key items to unlock the value of Tlou's assets is connection to the electricity grid. Once connected to the grid and generation assets are in place, Tlou can produce power from gas and solar (subject to any outstanding approvals) to deliver first revenue from electricity sales. The Environmental and Social Impact Assessment for the transmission line has been completed, as well as route alignment and associated surveys.

The Company plans to construct the ~100 Km transmission line to connect the Lesedi project to the electricity grid at Serowe as soon as possible. Tlou has commenced the detailed design and engineering of the 66kV overhead line and 66kV line feeder bay extension at the Serowe substation. This work is being completed in consultation with Mott MacDonald in Gaborone. Detailed design and engineering is expected to take a number of months to complete and will include the preparation of pre-qualification documents with the objective of Tlou short-listing bidders to be invited to tender for construction of the transmission line.

Project finance

Project finance discussions are continuing with parties within and external to Botswana. Project finance is expected to be effectively split into tranches, the first being transmission line funding to enable connection to the grid and commence initial generation and thereafter expansion of both gas and solar power generation capacity. As announced previously, the Company is evaluating both debt and equity funding options or a mix of both. Tlou's objective is to source finance with the lowest cost of capital and with the least risk going forward.

Post the end of the quarter the Company successfully completed an entitlement offer and placement raising A\$3.0 million (~£1.65 million, ~BWP 24 million). The entitlement offer and placement comprised the issue of 63,096,876 new ordinary shares at a price of A\$0.04 (£0.022, BWP0.32). In addition, a further 11,921,978 shares will be issued under the offer subject to approval at a general meeting of the Company.

At this time, the Company's share capital is comprised of 513,277,061 Ordinary Shares. There are no shares held in Treasury. Therefore, the total number of Ordinary Shares with voting rights is 513,277,061. This figure may be used by shareholders as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to their interest in, the Company. In addition, the Company has issued 51,548,411 unlisted share options exercisable at any time at A\$0.08 per share up until expiry on 20 July 2022.

Project areas

The Company has three project areas in Botswana:

- Lesedi Project – *Development, Exploration*
- Mamba Project – *Exploration*
- Boomslang Project – *Exploration*

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 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 Lesedi 3 and 4 production wells or 'pods'.

The Lesedi project is the Company's most advanced project, with plans in place to install gas-fired electricity generators and connect to the power grid in Botswana. The project has full environmental approval which includes gas extraction, electricity generation and construction of transmission lines. In addition, the Company has approval for 20MW of solar generation. CBM power is ideal for use in conjunction with solar projects.

Tlou has the only CBM Mining Licence in Botswana. A mining licence is required by an operator to develop a CBM asset. This licence spans a large 900 Km² area and is valid until 2042 so the Company has security of tenure over the project.

Tlou has the only independently certified CBM gas reserves in Botswana, with 252 Billion Cubic Feet (BCF) of 3P gas Reserves certified in the Lesedi project area. In addition, the 3C Contingent Gas Resources are approximately 3 Trillion Cubic Feet (TCF). The potential upside from further successful development of this area is substantial.

The status of the Lesedi area licences is as follows:

Licence	Expiry	Status
Mining Licence 2017/18L	August 2042	Current
PL 001/2004	March 2021	Current
PL 003/2004	March 2021	Current
PL 035/2000	September 2020	Renewal application submitted*
PL 037/2000	September 2020	Renewal application submitted*

* Response on renewal application expected in September 2020

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 covering an area of approximately 4,500 Km². The Mamba area is considered to be highly prospective being situated adjacent to Tlou's Lesedi project and being on-trend with the asset that has produced 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. Geographically, the Mamba project area is approximately 50 Km closer to the Orapa Power station than the Lesedi project area.

Independently certified 3P Gas Reserves of 175 BCF are already in place at the Mamba project. Further core-hole drilling and a proposed seismic survey of the area could significantly expand the reserves footprint across the Mamba project area.

The Mamba area has the potential to become a separate revenue generating development project in addition to the proposed development at Lesedi.

The status of the Mamba area licences is as follows:

Licence	Expiry	Status
PL 237/2014	September 2021	Current
PL 238/2014	September 2021	Current
PL 239/2014	September 2021	Current
PL 240/2014	September 2021	Current
PL 241/2014	September 2021	Current

Boomslang Project Area, Botswana

Licence: Prospecting Licence 011/2019

Ownership: Tlou Energy Limited 100%

The Company's most recently acquired Prospecting Licence, PL011/2019 designated "Boomslang", is valid for an initial term of 3 years. The licence area is approximately 1,000 Km² and is situated adjacent to the Company's existing licences. The Boomslang area is also located on-trend with the asset that has produced the encouraging results observed to date at the Lesedi project and considered to be highly prospective.

The Boomslang licence area provides the Company further flexibility and optionality for development of different projects.

The Company is awaiting confirmation of environmental approval to commence exploration operations in the Boomslang area. Subject to any delay that may result from Covid19, this approval is expected to be granted later this year, thereafter and subject to available funds initial exploration operations are planned for this area.

The status of the Boomslang area licence is as follows:

Licence	Expiry	Status
PL 011/2019	March 2022	Current

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.

By Authority of the Board of Directors

Mr. Anthony Gilby

Managing Director

For further information regarding this announcement please contact:

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Company Information

Tlou Energy is focused on delivering Power solutions to Botswana and southern Africa to alleviate some of the chronic power shortage in the region. Tlou is currently developing projects using gas and plans to combine this with solar power to provide a cleaner base load power source.

Botswana has a significant energy shortage and generally relies on imported power and diesel generation to fulfil its power requirements. Tlou's Lesedi power project provides investors with access to a compelling opportunity to displace expensive, carbon intensive diesel and imported coal-fired electricity with a more environmentally friendly alternative.

In addition to plans for cleaner energy, the Company is also committed to developing community projects in Botswana adding real value to peoples' lives in a region with sparse services and where few opportunities exist for the local population. This includes work to assist communities to become self-sustaining, develop business opportunities, improve access to education and create opportunities for self-employment and wealth creation.

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.

The project is significantly de-risked. The Company produced its first gas in 2014, has a Mining (or development) Licence valid to 2042 and 10 Prospecting (or exploration) Licences. The Company's project acreage covers a vast area spanning approximately 9,300 Km² in total.

Tlou's 'Lesedi' and 'Mamba' projects already benefit from significant independently certified 2P gas Reserves of ~41 Billion Cubic Feet (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 power project. Following successful implementation of this first scalable project, the Company looks forward to evaluating longer-term prospects for the delivery of additional electricity to Botswana and to neighbouring countries.

Forward-Looking Statements

This announcement may contain certain forward-looking statements. Actual results may differ materially from those projected or implied in any forward-looking statements. Such forward-looking information involves risks and uncertainties that could significantly affect expected results. No representation is made that any of those statements or forecasts will come to pass or that any forecast results will be achieved. You are cautioned not to place any reliance on such statements or forecasts. Those forward-looking and other statements speak only as at the date of this announcement. Tlou Energy Limited undertakes no obligation to update any forward-looking statements.

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

Tlou Energy Limited

ABN

79 136 739 967

Quarter ended ("current quarter")

30 June 2020

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers		
1.2	Payments for		
	(a) exploration & evaluation (if expensed)		
	(b) development		(9)
	(c) production		
	(d) staff costs	(219)	(1,070)
	(e) administration and corporate costs	(243)	(1,066)
1.3	Dividends received (see note 3)		
1.4	Interest received		
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Government grants and tax incentives		
1.8	Other (VAT/GST refunds)	98	433
1.9	Net cash from / (used in) operating activities	(364)	(1,712)

2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities		
	(b) tenements		
	(c) property, plant and equipment	(5)	(154)
	(d) exploration & evaluation (if capitalised)	(355)	(1,754)
	(e) investments		
	(f) other non-current assets		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities		
	(b) tenements		
	(c) property, plant and equipment		
	(d) investments		
	(e) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	Net cash from / (used in) investing activities	(360)	(1,908)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities		
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	-	-

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,193	5,205
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(364)	(1,712)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(360)	(1,908)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	107	(9)
4.6	Cash and cash equivalents at end of period	1,576	1,576

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	1,576	2,193
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,576	2,193

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
\$A'000**

165

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Item 6.1 includes payment of Directors salaries, fees and office rent.

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7. Financing facilities		Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>			
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>			
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	-	-
7.5	Unused financing facilities available at quarter end		-
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	364
8.2	Capitalised exploration & evaluation (Item 2.1(d))	355
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	719
8.4	Cash and cash equivalents at quarter end (Item 4.6)	1,576
8.5	Unused finance facilities available at quarter end (Item 7.5)	-
8.6	Total available funding (Item 8.4 + Item 8.5)	1,576
8.7	Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	2
8.8	If Item 8.7 is less than 2 quarters, please provide answers to the following questions:	
1.	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer:	
2.	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer:	
3.	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	Answer:	

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date:30/07/2020.....

Authorised by:By the Board.....
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.