

## **TLOU ENERGY LIMITED**



**1 December 2016**

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### **Tlou Energy Limited**

**(‘Tlou’ or ‘the Company’)**

### **LESEDI PROJECT UPDATE AND FIELD DEVELOPMENT PROGRAM**

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Tlou Energy Limited, the AIM and ASX listed company focused on delivering power in Botswana and southern Africa through the development of coal bed methane (‘CBM’), is pleased to provide an update on progress at the Lesedi CBM Project (‘Lesedi’ or ‘the Project’) located in prospecting licence PL002/2004 in Botswana.

#### **Highlights:**

- **First gas monetisation planned – gas produced by the Company will power the Project following completion of upgrades leading to ongoing cost savings**
- **Actively planning forthcoming field development program:**
  - **SRK Consulting engaged to assist in recommendation of target development areas for the Project and further exploration.**
  - **Flow testing at the Selemo wells is progressing well; providing vital data ahead of full field development and will be incorporated into Lesedi’s Feasibility Study**
- **Detailed activities being advanced relating to the phased development of a CBM to power project (10MW ramping up to 50MW), to commence following field development:**
  - **Working with specialist engineers on a Field Development Plan. – Initial project plan is expected to be completed by the end of the year. This will also provide data ahead of a future mining licence application**
  - **Advancing a study of power grid integration points and transmission line options (midstream development)**
  - **Downstream development relating to the planning, design, and development of the power generation units is progressing alongside specialist partners**
  - **Terms to be discussed with the Government of Botswana in relation to an off-take agreement for the approved 50MW power project**
  - **Assessing various funding options, having been contacted by a range of parties, for the development of the Project**

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**Executive Director Gabaake Gabaake said,** “This is an extremely exciting time for the Company. The Board and management are very busy as the Company focuses on getting the initial 10-50MW project up and running. As investors can see, there are a considerable number of parts to bring together to develop the project as we aim to get our first power to market and start generating revenue. In the near term we will be providing an update on our field development program, and our studies for the development of our scalable CBM to power plant, which are being advanced alongside specialist partners. In addition, we will keep the market up to date on progress of other items including the offtake agreement, conversion of the field operations to run on CBM and a future mining licence application.

“We are incredibly grateful to our shareholders, many of whom have been with us since 2009, for their strong support. We also benefit from the backing of the Government of Botswana and, as highlighted today, a range of potential funding partners. Our objective is to bring the Project to fruition as soon as possible to unlock the best possible value for our shareholders.”

**Gas Flows**

The Company has been producing gas at the Selemo wells located in the Lesedi project during the year. This led to the Company becoming the first in Botswana to book independently certified gas reserves in October 2016. Since this time, flow testing has continued at the Selemo wells and is planned to do so for the foreseeable future. The data from this testing provides vital input into full field development and is incorporated into the project’s feasibility study.

**Conversion of field generation from diesel to gas**

Power required to run pumps and metering at the Selemo wells is currently supplied by diesel generators. The Company’s operations team are planning to replace these with gas fired generators, which can then run on the gas being produced from our wells. Once implemented, this will be a significant milestone and in effect be proof of concept or ‘first gas monetisation’ by providing a cost saving to the Company with a much-reduced diesel requirement.

**Regional geological data**

Tlou has an extensive geological database across much of its licence area particularly over the Lesedi project. As the Company progresses towards field development and further exploration, a key task is to assess the most prospective areas to base future projects. In this regard, the Company has engaged SRK Consulting (‘SRK’) to assist with this process due to their expertise in this area along with their in-depth knowledge of the project, having been involved in the booking of initial gas reserves recently as well as contingent resources prior to that. SRK will review the Company’s geological model and make recommendations in relation to future work. This will incorporate potential field, seismic

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and drilling data, develop optimum production layouts including updating well performance simulation and help define what work would best facilitate the addition of further reserves. This is likely to be completed in late 2016 or early 2017.

### **Further field exploration**

The Company is considering expansion of its exploration work in the field. The potential remains for exploration in both the Lesedi and Mamba project areas held by the Company. The report from SRK as mentioned above will provide valuable data in relation to this process.

### **50MW CBM to power project**

As previously announced, Tlou has been approved by the Government of Botswana to develop a 50MW CBM to power project. The 50MW project is planned to be delivered on a staged basis and can be divided into three distinct parts, upstream, midstream and downstream development, with excellent progress being made in each of these areas.

#### Upstream development

This is essentially the field development part of the project which includes items such as the drilling of wells and gas gathering and compression. The Company is working with specialist engineers to develop this part of the project further. This work is aimed at:

- developing the process flow and high level operating philosophy for the initial 10MW phase of the project;
- determine capital, operating and maintenance costs; and
- provide a project execution plan to ensure the Company's objectives for the Lesedi CBM Project can be achieved in the desired timeframes.

This work is likely to be completed in late 2016. This process will also provide engineering, operating and maintenance input into a future mining licence application.

#### Midstream development

This process relates to the construction of the transmission lines or gas pipeline. The Company has been in discussion with Botswana Power Corporation ('BPC'), owners of the power network infrastructure in Botswana. Following these discussions, the Company is working on a study of options available for midstream development including:

- determining the lowest cost and most effective integration point in the BPC network for up to 100MW of power generation located at the Company's Lesedi project starting with an initial 10MW within two years and ramping up to 50MW;
- determining the most feasible route and cost of a transmission line for a 10MW, 50MW and 100MW project;

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- Assessing upgrades required in the BPC network at the integration point, if any, and the related costs.

This process is expected to take approximately three months to complete.

### Downstream development

Downstream development relates to the planning, design, and development of the power generation units. This is well underway and the Company is being assisted by our co-operation partners GE, a world-leader in the design, construction, operation, and maintenance of power generation facilities. GE has identified suitable generation equipment for the initial project along with capex and opex calculations. These costs as well as the various specifications of the power generation equipment are key items that will be used for the project's feasibility planning.

### **Offtake agreement**

Discussions are continuing with the Government of Botswana in relation to the terms of the power purchase agreement for the approved 50MW power project. This process involves various elements within Government and Botswana's Public Procurement and Asset Disposal Board so is likely to be an evolving process. The terms of the proposal, including power price and length of the agreement, are key items that will be incorporated into the offtake agreement.

### **Project Funding**

Since the recent reserves announcement, the Company has been contacted by different parties interested in discussing the Company's proposed power project and potential future investment. The Company owns 100% of the Lesedi CBM project and as no firm funding agreement has been put in place, various options remain available to the Company. These may involve development of projects through special purpose vehicles, joint ventures, infrastructure funds, equity and debt financing.

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### **Company Information**

Tlou Energy is an AIM and ASX listed company focused on delivering power in Botswana through the development of coal bed methane ('CBM') projects. Botswana has a severe energy shortage and is currently relying on expensive imported power and diesel generation to deliver its requirements. However, as the 100% owners of the most advanced gas project in the country, the Lesedi CBM Project ('Lesedi'), Tlou Energy provides investors with access to an immediate and longer term opportunity using domestic gas to produce power at lower costs than the current arrangements.

The Company is led by an experienced Board, management and advisory team including individuals with successful track records in the Australian CBM industry.

Since establishment in 2009 the Company has significantly de-risked the project in pursuit of its goal to become a significant gas to power producer and the Company has the most advanced CBM project in Botswana. It holds 10 prospecting licences covering an area of ~8,300Km<sup>2</sup> and the Lesedi project already benefits from significant, independently certified contingent gas resources of ~3.3 trillion cubic feet (TCF) (3C) as well as an initial independent gas reserve certification.

The first planned gas-to-power solution is expected to be delivered through a scalable project with the Botswana Government. Following successful implementation of this project the Company plans larger projects to provide further power to Botswana and the southern African region.