

26 May 2015

Dear Shareholder

RE: 2015 Non-Renounceable Rights Issue – Letter to Ineligible Shareholders

On 25 May 2015, Tlou Energy Limited ACN 136 739 967 (**Tlou Energy** or the **Company**) announced that it is conducting a capital raising via a 4 for 15 non-renounceable entitlement offer of fully paid ordinary shares in Tlou Energy (**New Shares**) to raise up to approximately A\$5.5 million (**Entitlement Offer**).

The proceeds from the Entitlement Offer will be used to fund the Company's exploration and appraisal activities for 2015 and provide for additional working capital. The net proceeds of the Offer will be used to fund Tlou's expanded pilot drilling operations at the Lesedi CBM Project in 2015 including:

- Up to 2 single horizontal pilot pods at Selemo (flanking existing pilot well)
- Dewatering and testing operations
- Potential single vertical well (Selemo step-out)
- Corporate costs and working capital

The Entitlement Offer is expected to raise up to approximately \$5.5 million, and is being underwritten by Morgans Corporate Limited.

This letter is not an offer document but rather an advance notice of some key terms and conditions of the Entitlement Offer which are contained in the offer booklet being mailed to Eligible Shareholders.

New Shares will rank equally with all fully paid ordinary shares in the capital of the Company already on issue.

Terms of the Entitlement Offer

Under the Entitlement Offer, Eligible Shareholders (defined below) will be invited to subscribe for 4 New Shares for every 15 existing Tlou Energy ordinary shares (**TOU Shares**) held at 7:00 pm (AEST) on Friday 29 May 2015 (**Record Date**), at an issue price of \$0.14 per New Share (**Entitlement**).

Documents relating to the Entitlement Offer were lodged with ASX on 25 May 2015 and are being mailed to Eligible Shareholders. Shareholder approval is not required for the Company to make the offer under the Entitlement Offer.

This letter is intended to inform you about the Entitlement Offer and to explain why you will not be able to subscribe for New Shares under the Entitlement Offer. This letter is not an offer to issue New Shares to you, nor an invitation for you to apply for New Shares.

As the Entitlement Offer is being underwritten it is expected that upon completion of the same the total number of the issued shares in the Company will increase by 39,401,292 with the total number of shares on issue following the completion of the Entitlement Offer being 187,156,138. These figures assume that none of the options that are on issue are exercised in time to allow shares issued from such to be able to participate in the Entitlement Offer.

Eligibility of shareholders to participate in the Entitlement Offer

The Entitlement Offer is being made by Tlou Energy without a disclosure document or product disclosure statement in accordance with section 708AA of the *Corporations Act 2001* (Cth) (the **Corporations Act**) as modified by the Australian Securities and Investments Commission Class Order CO 08/35.

You are not required to do anything in response to this letter.

The Entitlement Offer is only available to Eligible Shareholders. An **Eligible Shareholder** means a holder of TOU Shares at 7:00pm (AEST) on the Record Date who:

- (a) has a registered address in Australia or New Zealand, or is a Shareholder that the Company has otherwise determined (in its absolute discretion) is eligible to participate; and
- (b) is not in the United States and is not a nominee, custodian or other person acting for the account or benefit of a person in the United States.

Eligible Shareholders will receive a personalised Entitlement and Acceptance Form setting out their Entitlement which accompanies the Offer Booklet.

The restrictions upon eligibility are due to legal limitations in some countries, the relatively small number of shareholders outside of Australia and New Zealand, the small number of shares these shareholders hold and the potential cost of complying with regulatory requirements in those countries.

Tlou Energy has determined, pursuant to Listing Rule 7.7.1(a) of the ASX Listing Rules and section 9A(3) of the Corporations Act, that it would be unreasonable to make offers to shareholders in all countries in connection with the Entitlement Offer. Accordingly, in compliance with ASX Listing Rule 7.7.1(b) and section 9A(3)(b) of the Corporations Act, this letter is to inform you that Tlou Energy has determined that it is unfortunately unable to extend the Entitlement Offer to you on the basis that you are not an Eligible Shareholder and you are therefore ineligible to apply for New Shares under the Entitlement Offer. Accordingly, you will not be sent a copy of the Offer Booklet.

This letter is neither an offer to issue securities to you nor an invitation for you to apply for New Shares under the Entitlement Offer.

New Shares equivalent to the number of New Shares you would have been entitled to if you were an Eligible Shareholder will be allocated to Eligible Shareholders who subscribe for New Shares in excess of their entitlement under the Entitlement Offer or in accordance with the underwriting agreement in respect of the Offer.

As the Entitlement Offer is non-renounceable, you will not receive any payment or value for these entitlements in respect of any New Shares that would have been offered to you if you were eligible.

Further information

If you have any queries, please contact me on (07) 3012 9793 (within Australia) or +61 7 3012 9793 (outside Australia) between 9:00 am and 5:00 pm (Brisbane time) Monday to Friday during the Entitlement Offer period or, alternatively, consult your stockbroker, solicitor, accountant or other professional financial adviser.

On behalf of the directors, I thank you for your continued support of Tlou Energy.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'S. Rodgers', followed by a period.

Stephen Rodgers
Company Secretary
Tlou Energy Limited

NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES

This letter does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States or in any other place in which, or to any person to whom, it would not be lawful to do so. No action has been or will be taken to register, qualify or otherwise permit a public offering of the New Shares in any jurisdiction outside Australia or New Zealand. In particular, the New Shares have not been, and will not be, registered under the U.S. Securities Act of 1933 (the “Securities Act”) or the securities laws of any state or other jurisdiction of the United States. Accordingly, the Entitlements in the Entitlement Offer may only be taken up by, and the New Shares in the Entitlement Offer may only be offered or sold to, directly or indirectly, certain persons outside the United States in “offshore transactions” (as defined in Rule 902(h) of Regulation S under the Securities Act) in reliance on Regulation S under the Securities Act.