

TLOU ENERGY LIMITED**21 April 2016**

Operations Update**Key points:**

- Testing procedures have been expanded to include the Selemo 2 and Selemo 4 wells in addition to Selemo 1 which commenced flow testing in Q1 2016
- Pressure drops at the wells have been increased in recent days and encouragingly further communication between the wells is being observed. Water production, increased due to the flow testing of the additional wells, is being easily managed and is in line with expectations
- A decision on a gas-to-power pilot project has progressed through various levels of government and management is confident of a favourable response in the near term

Note: All times quoted are referenced to Australian Eastern Standard Time (AEST) unless otherwise stated

Tlou Acting Managing Director Gabaake Gabaake said, “Excellent progress is being made in the field. The decision to expand the testing to include three wells rather than the initial one well was taken following the results observed while flowing gas from Selemo 1 only and the excellent communication being observed between all the Selemo wells.

The initial plan was to flow sustained gas from Selemo 1 and then proceed to build flows from Selemo 2 and 4. This method was chosen by our production consultants based on knowledge gained from other reservoirs and also to reduce any potential risk of damaging the reservoir with a more aggressive strategy.

The production data has since indicated however, that it is possible to bring on all three wells concurrently without significant risk of damaging the formation or jeopardising the chances of flowing gas at economic levels from Selemo. Although still at an early stage, the data gathered to date is very promising and is some of the best we have seen since we commenced flow testing. As a result we remain excited and confident of delivering a sustained gas flow shortly.

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I have had discussions with relevant Government parties in relation to our application for a gas-to-power pilot project in Botswana. We are awaiting feedback and remain extremely confident of a positive response in the near term. Our team are working very hard and we remain on target to deliver on our goals. I look forward to providing further updates in the near term.”

Gas Production Testing Operations Update

In 2015, the original Selemo 1 lateral production pod (a vertical well called Selemo 1P and an intersecting horizontal well designated 1A) had two new shielding pods (Selemo 2 and 4) drilled either side of it, to assist with dewatering and ultimately, enhance gas deliverability (*see Figure 1 below*). Following the successful drilling program, each new vertical production well was completed with down-hole equipment to enable water level reduction and allow the gas to flow from the coal seam.

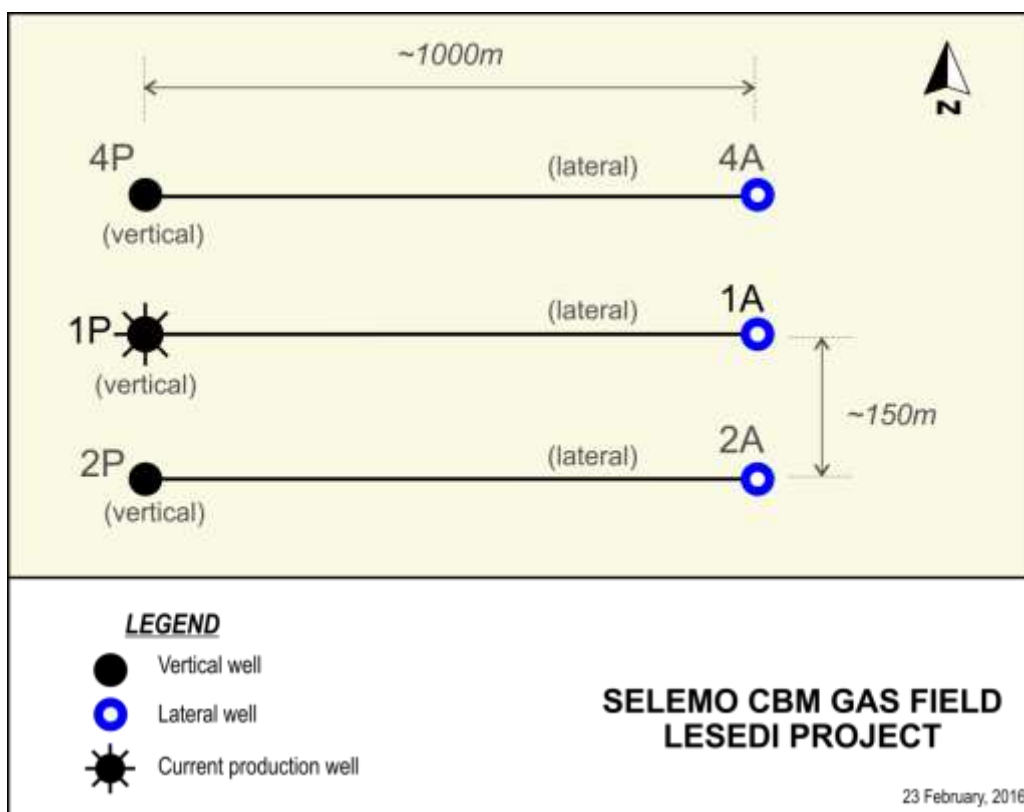


Figure 1 – Selemo pilot well pod schematic

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The dewatering and testing process includes:

Testing stage	Status
Reducing the water level in each of the three vertical production wells;	Achieved
▪ Reaching the critical gas desorption point;	Achieved
▪ Gas pressure building up in each well; and	Achieved
▪ Flowing and testing gas production rates.	Continuing

Dewatering operations commenced in mid-September 2015 in a controlled manner with all three pods reaching critical desorption pressure ('CDP') and steadily building wellhead pressure.

The current phase involves establishing a consistent gas flow rate from the production pilot pods. Long term testing on Selemo 1P commenced on 8 February 2016, with Selemo 2 and 4 wells maintaining static fluid levels at the desorption point and shielding water from Selemo 1P, the central and main producing well where initial gas has been flared.

Following shielding of 1P from water influx and gaining better understanding of the water producing capacity of the coal, Tlou has commenced drawdown on all wells, thereby expediting the process of achieving a sustainable gas production rate from the production pilot pods.

The aim of the gas testing program is to provide evidence of a sustainable gas production rate achievable from the field. This data will be incorporated into field development plans and provide data for independent reserve certification.

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TLOU ENERGY LIMITED**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 a compelling immediate and longer term opportunity using domestic gas to produce power and displace the expensive diesel and import market.

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 consideration of its goal to become a significant gas to power producer. The Company has the most advanced CBM project in Botswana and flared its first gas in 2014. It holds 10 prospecting licences covering an area of ~8,300Km² and the Lesedi project already benefits from significant, independently certified contingent resources of ~3.3 trillion cubic feet (TCF) (3C). Following completion of the current gas flow tests at Selemo the Company is looking to book certified gas reserves, thereby becoming the first company in Botswana to do so.

The first planned gas-to-power solution is expected to be delivered through a 10MW pilot project. Discussions with potential off-takers, including Government, to purchase the power is on-going and the company plans to sign a Power Purchase Agreement in the near term. Following successful implementation of the 10MW pilot project the Company plans larger projects to provide further power to Botswana and the southern African region.

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