



28 January 2021

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

Operational Report - Quarter ending 31 December 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. The Lesedi Power Project ("Lesedi") is the Company's most advanced project with plans to develop gas and solar power generation assets with the sale of electricity into the regional power grid.

Project Finance

The Company is currently seeking funding for development of Lesedi. The project is proposed to be developed in two phases.

Phase one involves transmission line construction, transformers, grid connection, electricity generators and potentially the drilling of additional gas wells. The ~100 Km transmission line will run from the Lesedi project to the town of Serowe where it will connect to the existing power grid. Initial generation is proposed to be up to 2MW of electricity. Funding required for phase one is ~USD \$10m which can be staged if necessary or prudent to do so.

Phase two funding is for the expansion of electricity generation up to 10MW. This will involve drilling more gas wells and the purchase of additional electricity generation assets. Funding required for phase two is ~USD \$20m. Upon successful completion of phase one and two, the Company plans to expand the project beyond 10MW.

Funding discussions are progressing well, in particular with Botswana based institutions with which the Company is in ongoing discussions. Should technical and risk assessments on Tlou's operations be successful, the relevant parties would then seek internal approval to proceed, followed by legal and other due diligence. If such approval is granted, which is currently expected towards the later end of Q1 2021, Tlou would then be in a position to announce further details of the proposed deal.

Tlou is also considering what further progress can be made at Lesedi prior to conclusion of any Botswana based finance. Activities could include the purchase of land for gas and solar development, preparatory work on transmission line infrastructure, and drilling operations. Undertaking this work in the near term and in advance of the conclusion of the ongoing discussions in Botswana could facilitate a more rapid development of the project – all subject to funding as well as any pandemic related restrictions that may be in place.

Ministerial Site Visit and Government support

The Company was delighted to welcome Honourable Minister Lefoko Moagi, Minister of Mineral Resources Green Technology and Energy Security (MMGE), and his team to the Lesedi project during the quarter. The Honourable Minister has been a long-term advocate of Coal Bed Methane (CBM) and Tlou's project and again reiterated his support during his visit.

Just after the end of the quarter the Company received written confirmation from MMGE of the intention of MMGE to fast track the development of CBM in Botswana. MMGE also stated that it is happy to provide the necessary support to ensure commercial development of CBM.

In relation to the current tender to implement up to 100MW of CBM fired power plants, MMGE confirmed that negotiations with preferred bidders are due to commence in February 2021. MMGE will start work internally on the 100MW project in January. The letter also acknowledged that the Government is fully committed to seeing this project coming to fruition, as it will promote the gas industry, contribute toward import substitution, as well as to improve the livelihood of Botswana.

The Company looks forward to negotiation and finalisation of the tender process in the near term.

Signed PPA and Connection Agreement

Formalities having been completed for a 2MW Power Purchase Agreement (PPA) with Botswana Power Corporation (BPC) with the Company having received the signed PPA and Grid Connection Agreement.

These agreements represent significant achievements and show substantial progress for the Lesedi Power Project.

Transmission line detailed design

Detailed design and engineering of the ~100 Km transmission line and associated infrastructure to connect Lesedi to the electricity grid has been completed by the Company's engineers Mott MacDonald. This work included selecting qualified parties to tender for construction of the transmission line and associated infrastructure. The qualified parties include groups from Botswana, India, China and South Africa.

Requests to tender were sent to the qualified parties in December, with responses to be received in late Q1 2021, with evaluation of bids and award of contracts planned for Q2 2021.

Lesedi gas production

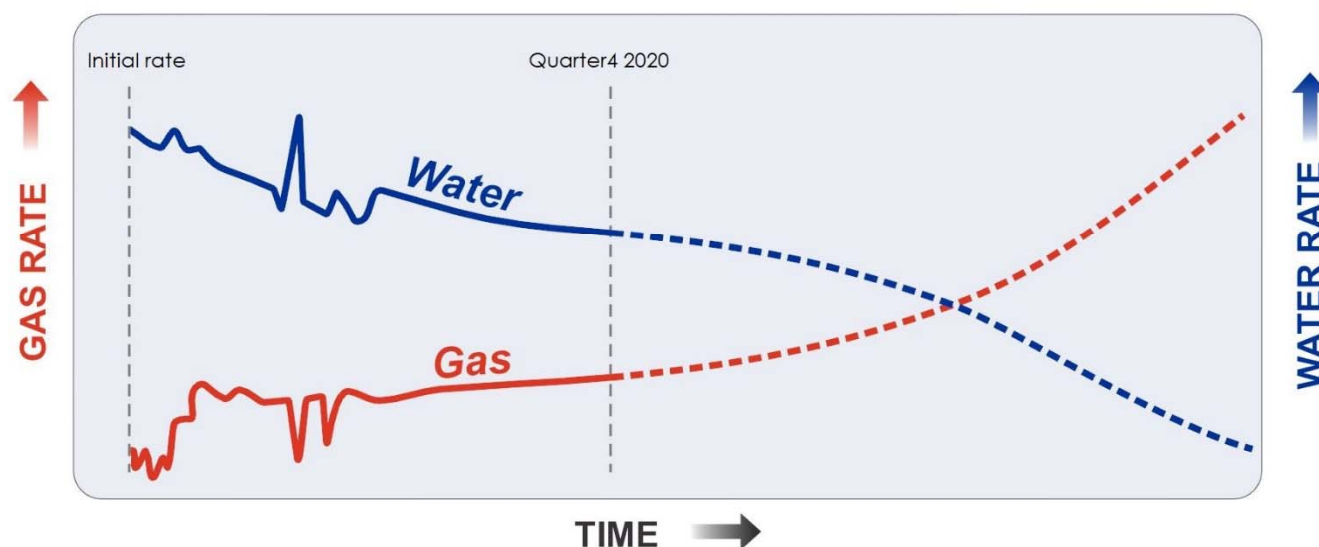
Gas continues to flow at the Company's production well Lesedi 4P. The Lesedi 4P gas rate has shown a steady increase over time while water rates are progressively decreasing. The continuous nature of the gas flow throughout the year with the steady incline being observed is very encouraging.

Gas flow rates are not anticipated to increase materially until further drilling is carried out. Lesedi 4P is a single well and is not part of a mature gas field where multiple adjacent wells would all be assisting with the dewatering of the

reservoir. Once further water can be removed from the system by additional wells, the Company expects that gas should start to substantially increase.

The below schematic illustrates the historical production curves for gas and water to December 2020 (solid lines) and what could be anticipated with additional dewatering of the field (shown by dashed lines). The Company does not intend to provide additional specific gas and water flow numbers until material levels are reached being in the vicinity of 100,000 cubic feet per day.

Lesedi 4P Gas & Water Production



The continuous gas flow reinforces the significant upside potential for shareholders and along with Tlou's plans for solar power, could create a new cleaner power opportunity for the region. Only the deeper gas target horizon (Morupule coal seam) has been explored to date with at least one other shallower potentially productive zone (Serowe coal seam) yet to be evaluated.

Community support

The Company continues its work with local communities as part of its environmental, social and governance commitment. The Company is engaged in activities aimed at advancing the lives of the local population and regional communities.

During the quarter the Company provided support to Botswana's small stock initiative. This is aimed at helping farmers commercialise their production, increase Botswana's small stock herd and enable the country to meet local demand for meat as well as demands from other countries. The initiative can create sustainable jobs and generate wealth for the local population.

Forward plan

Key focus areas include:

1. Securing funds to advance the Lesedi power project. This will allow work to commence on transmission lines and set the Company on a path towards initial electricity generation and first revenue;
2. Completion of the Tender process and signing of a 10MW power purchase agreement;
3. Progressing solar development plans;
4. Drilling additional gas wells in the Lesedi project;
5. Completing further operations across the Mamba and Boomslang project areas.

Project Areas

The Company has three project areas in Botswana:

- Lesedi Project – *Gas & Solar Development, Exploration & Evaluation*
- Mamba Project – *Exploration & Evaluation*
- Boomslang Project – *Exploration & Evaluation*

Lesedi 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 Coal Bed Methane (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 production wells or 'pods'.

The Lesedi project is the Company's most advanced project. Plans are in place to purchase land at the Lesedi project, install solar photovoltaic (PV) panels and 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. A generation license has also been granted by the Botswana Energy Regulatory Authority (BERA). This licence has a 15-year term and is valid for both solar and gas-fired generation.

Tlou's 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.

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).

Initial development of the Lesedi project is planned to be up to 10MW of power. With plans for solar and gas fired power, these can be standalone operations or a hybrid solution with gas-fired power able to provide back-up power when solar is not available. The location of the Central Processing Facility (generation site) at the Lesedi project is approximately 100 Km from the electricity grid. The Company is planning to construct a 100 Km transmission line and is in the process of securing funding to do so.

The proposed off-taker (purchaser) of the power generated by Tlou is the national energy utility, Botswana Power Corporation (BPC). The Company has signed a Power Purchase Agreement (PPA) with BPC for the first 2MW of electricity. A submission has also been made to secure a PPA for up to 10MW.

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 – Renewal application submitted in December 2020
PL 003/2004	March 2021	Current – Renewal application submitted in December 2020
PL 035/2000	September 2022	Current
PL 037/2000	September 2022	Current

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 situated adjacent to Tlou's Lesedi project and is 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 flexibility and optionality.

Independently certified 3P Gas Reserves of 175 BCF are already in place at the Mamba project. The Mamba project is in the exploration and evaluation phase with further operations required on these licences. The next stage of development is likely to be core-hole drilling and a seismic survey of the area. Positive results from these operations could 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, with solar and gas-fired generation a possibility subject to approvals. Geographically, the Mamba project area is approximately 50 Km closer to the Orapa Power station compared to the Lesedi project area. The potential exists for a gas pipeline to be constructed to supply gas from the Mamba project to the 90MW Orapa Power station.

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.

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

There have been no ground operations completed in the Boomslang area as the Company is awaiting confirmation of environmental approval to commence exploration activities. Once approved (and subject to funding) initial exploration work is planned for this area. Similar to the Lesedi and Mamba areas, the Boomslang project could produce solar and gas-fired power.

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 UK Market Abuse Regulation. 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 add solar power projects to provide a cleaner 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. The Company aims 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")

31 December 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 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	(80)	(126)
(c) production		
(d) staff costs	(118)	(300)
(e) administration and corporate costs	(124)	(394)
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	30	70
1.9 Net cash from / (used in) operating activities	(292)	(750)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities		
(b) tenements		
(c) property, plant and equipment		(39)
(d) exploration & evaluation (if capitalised)	(267)	(512)
(e) investments		
(f) other non-current assets		

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 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	(267)	(551)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		3,001
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	(12)	(280)
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	(12)	2,721
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,575	1,576
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(292)	(750)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(267)	(551)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(12)	2,721

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	28	36
4.6	Cash and cash equivalents at end of period	3,032	3,032

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	3,032	3,575
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)	3,032	3,575

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**

66

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. 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)	292
8.2 Capitalised exploration & evaluation (Item 2.1(d))	267
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	559
8.4 Cash and cash equivalents at quarter end (Item 4.6)	3,032
8.5 Unused finance facilities available at quarter end (Item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	3,032
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	5
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:28/01/2021.....

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.