

TLOU ENERGY LIMITED**29 April 2019**

**Tlou Energy Limited
("Tlou" or "the Company")****OPERATIONAL REPORT - QUARTER ENDING 31 MARCH 2019**

Tlou Energy Limited is an ASX, AIM and BSE listed company focused on delivering power in Botswana and southern Africa through the development of coal bed methane ('CBM').

Key points:

- New highly prospective 1,000 Km² Boomslang CBM Prospecting Licence awarded;
- Drilling operations completed successfully at the Lesedi CBM project, on time and on budget;
- Production testing underway at the Lesedi 3 and Lesedi 4 production wells;
- Receipt of confirmation that the Company's tender proposal has passed eligibility and technical sections. Financial section currently being assessed and a definitive result on the process is expected in near term;
- Capital raising totalling A\$4.1 million completed post quarter, end with sophisticated and institutional investors in Australia and Botswana, adding significantly to the existing cash balance of A\$2.5m at the end of the period.

The Company's main priorities remain to:

- Secure a clear pathway towards a Power Purchase Agreement in Botswana, which could facilitate connection to the local power grid and access to the Southern African Power Pool;
- Confirm gas flows at the Lesedi project following the recently drilled production pods; and
- Prove up additional gas Reserves and contingent Resources across the Lesedi, Mamba and Boomslang project areas.

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 development wells which are currently de-watering following the recent drilling program.

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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	Current
PL 037/2000	September 2020	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 considered to be highly prospective being situated adjacent to Tlou's Lesedi CBM Project and being on-trend with 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.

The status of the Mamba area licences is as follows:

Licence	Expiry	Status
PL 237/2014	September 2019	Current
PL 238/2014	September 2019	Current
PL 239/2014	September 2019	Current
PL 240/2014	September 2019	Current
PL 241/2014	September 2019	Current

Renewal applications for the Mamba licences will be submitted in June 2019.

Boomslang Project Area, Botswana

Licences: Prospecting Licence 011/2019

Ownership: Tlou Energy Limited 100%

During the Quarter, the Company was awarded a new Coal and CBM PL by the Department of Mines at the Ministry of Mineral Resources, Green Technology and Energy Security in Botswana. The new 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 located on-trend with the encouraging results observed to date at the Lesedi project and is considered to be highly prospective.

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With initial development operations ongoing at the Lesedi gas field, the award of the Boomslang licence area (similar to the Mamba area) provides the Company with additional flexibility and optionality.

The status of the Boomslang area licence is as follows:

Licence	Expiry	Status
PL 011/2019	March 2022	Current

Development well drilling program

The Company commenced drilling of two development wells in the Lesedi project area in late 2018. The wells were drilled as 'dual lateral pods', comprising a single vertical production well intersected by two lateral wells. Lateral wells are drilled through the gassy coal seam with gas extracted from this coal produced through the vertical production well where it can be gathered and used for power generation. Pod One is designated 'Lesedi 3' and comprises a vertical production well ('Lesedi 3P') and two lateral wells ('Lesedi 3A' & 'Lesedi 3B'). Pod Two is designated 'Lesedi 4'.

During the quarter the drilling program was completed, having been carried out efficiently and safely as a result of the excellent work of the Company's field personnel. The Lesedi 3 and 4 development pods are located adjacent to the Company's proposed central gas gathering and power generation facility.

Following intersection of the lateral and vertical production wells, a significant amount of gas was observed bubbling from the production wells. This occurred on both the Lesedi 3P and 4P intersects but particularly on Lesedi 4P. In the Lesedi 4 development pod, the Company targeted the upper portion of the coal seam. This may be very significant for future drilling campaigns and, when combined with recently evaluated structural trends, may provide the key to unlocking significant amounts of new gas reserves.

Prior to starting the program, the Company purchased a significant amount of drilling equipment which enabled Tlou to control costs and timing of the program. The net result is that the drilling program was completed on time and in line with budget. This is a significant achievement and demonstrates the Company's ability to deliver a cost effective and timely program in the Kalahari Desert.

The Company anticipates first gas pressure increase (leading to initial gas flow) at the production pods to be available in Q2 2019 and will update the market accordingly.

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Government tender update

On 10 October 2018 the Company submitted its comprehensive response to the Request for Proposal (RFP) for the Development of a Maximum of 100 MW of Coal Bed Methane Fuelled Power Plants in Botswana.

The submission outlined a staged development commencing with up to 10 MW of generation as well as outlining project feasibility, proposed field development, installation of power generation facilities and supply of power into the grid in Botswana. If the proposal and the initial project are successful, the Company would look to expand further. The tender is being assessment based on Eligibility, Technical and Financial criteria.

During the quarter, Tlou received confirmation that its proposal has passed both the eligibility and technical sections and that the financial proposal, being the final stage of the RFP process, is currently being assessed. The Company expects a definitive result on the process to be received in the coming weeks.

Corporate

Following the end of the quarter, the Company has successfully completed targeted private placements to sophisticated investors in Botswana and Australia ("Placements"). The Placements raised approximately A\$4.1 million (~£2.2 million or ~BWP30.1 million) before costs. In addition to the A\$2.5m cash on hand at the end of the quarter the Company is now in a very comfortable cash position to proceed with its planned exploration and appraisal work over the coming year.

Following the Placements, the Botswana Public Officers Pension Fund (BPOPF) are now the Company's largest shareholder, with 47,230,769 shares representing a 10.49% holding of the Company.

Anthony Gilby

Managing Director

Tlou Energy Limited

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For further information regarding this announcement please contact:

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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.

Company Information

Tlou Energy is focused on delivering Gas-to-Power solutions in Botswana and southern Africa to alleviate some of the chronic power shortage in the region. Tlou is developing projects using coal bed methane (CBM) natural gas. Botswana has a significant energy shortage and generally relies on imported power and diesel generation to fulfil its power requirements. As 100% owner of the most advanced gas project in the country, the Lesedi CBM Project, Tlou Energy provides investors with access to a compelling opportunity using domestic gas to produce power and displace expensive diesel and imported power.

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 including individuals with successful track records in the CBM industry.

Since establishment, the Company has significantly de-risked the project in consideration of its goal to become a significant Gas-to-Power producer. The Company flared its first gas in 2014 and has a 100% interest over its Mining Licence and ten Prospecting Licences covering an area of ~9,300 Km² in total. The Lesedi and Mamba Projects already benefit from significant independently certified 2P gas Reserves

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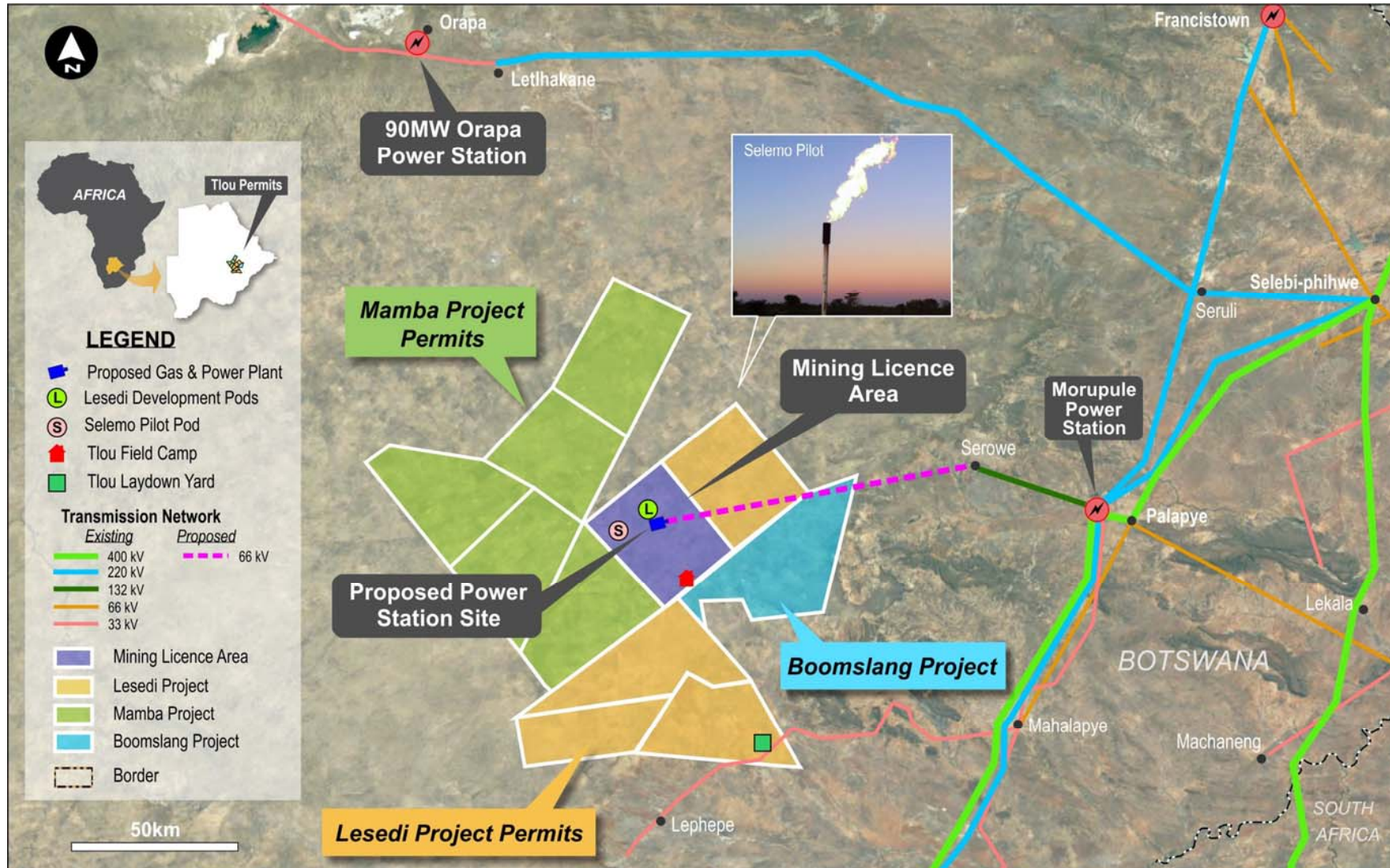
of ~41 BCF. In addition, 3P gas Reserves of ~427 BCF and Contingent Gas Resources of ~3,043 BCF provide significant additional potential.

The Company is planning an initial scalable Gas-to-Power project. Following successful implementation of this first scalable project, the Company looks forward to evaluating longer-term prospects for the delivery of electricity generated from CBM in Botswana to neighbouring countries.

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Tlou project permits and surrounding power infrastructure



Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

Flou Energy Limited

ABN

79 136 739 967

Quarter ended ("current quarter")

31 March 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(2,421)	(6,004)
(b) development		(28)
(c) production		
(d) staff costs	(402)	(1,265)
(e) administration and corporate costs	(299)	(1,085)
1.3 Dividends received (see note 3)		
1.4 Interest received	1	6
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Research and development refunds		
1.8 Other	290	614
1.9 Net cash from / (used in) operating activities	(2,831)	(7,762)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(138)	(1,909)
(b) tenements (see item 10)		
(c) investments		
(d) other non-current assets		

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment		
(b) tenements (see item 10)		
(c) investments		
(d) 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	(138)	(1,909)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares		5,489
3.2 Proceeds from issue of convertible notes		
3.3 Proceeds from exercise of share options		
3.4 Transaction costs related to issues of shares, convertible notes or options		(260)
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	-	5,229

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	5,521	7,019
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(2,831)	(7,762)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(138)	(1,909)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	5,229
4.5 Effect of movement in exchange rates on cash held	(30)	(55)
4.6 Cash and cash equivalents at end of period	2,522	2,522

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	2,522	5,521
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)	2,522	5,521

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter
\$A'000**

217

Office rent, Directors fees and salaries

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter
\$A'000**

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities		
8.2 Credit standby arrangements		
8.3 Other (please specify)		
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

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9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	357
9.2 Development	
9.3 Production	
9.4 Staff costs	351
9.5 Administration and corporate costs	278
9.6 Other (Equipment)	
9.7 Total estimated cash outflows	986

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced				
10.2 Interests in mining tenements and petroleum tenements acquired or increased	PL 011/2019 Botswana	Prospecting Licence	N/A	100%

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.

Sign here:.....
(Director/Company secretary)

Date:29 April 2019.....

Print name:Solomon Rowland.....

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.