

TLOU ENERGY LIMITED**23 January 2019**

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

OPERATIONAL REPORT - QUARTER ENDING 31 DECEMBER 2018

Tlou Energy Limited, the ASX, AIM and BSE listed company focused on delivering power in Botswana and southern Africa through the development of coal bed methane ('CBM'), is pleased to provide its operational report in respect to its Lesedi and Mamba CBM Projects in Botswana for the quarter ended 31 December 2018.

Highlights

- Commencement of drilling operations at the Lesedi CBM project with excellent progress to date
- Environmental Impact Assessment for downstream project development has been submitted
- Re-tender for the development of a CBM fuelled pilot power plant in Botswana lodged with the government

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 in Botswana 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 pilot wells which are currently being drilled and the Selemo pilot wells where the Company was flaring gas prior to the commencement of the ongoing drilling program.

The status of the Lesedi area licences is as follows:

Licence	Expiry	Status
Mining Licence 2017/18L	August 2042	Current
PL 001/2004	March 2019	Current (Renewal application submitted Dec 2018)
PL 003/2004	March 2019	Current (Renewal application submitted Dec 2018)
PL 035/2000	September 2020	Current
PL 037/2000	September 2020	Current

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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 in Botswana 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



Lateral well drilling, Lesedi CBM Project – January 2019

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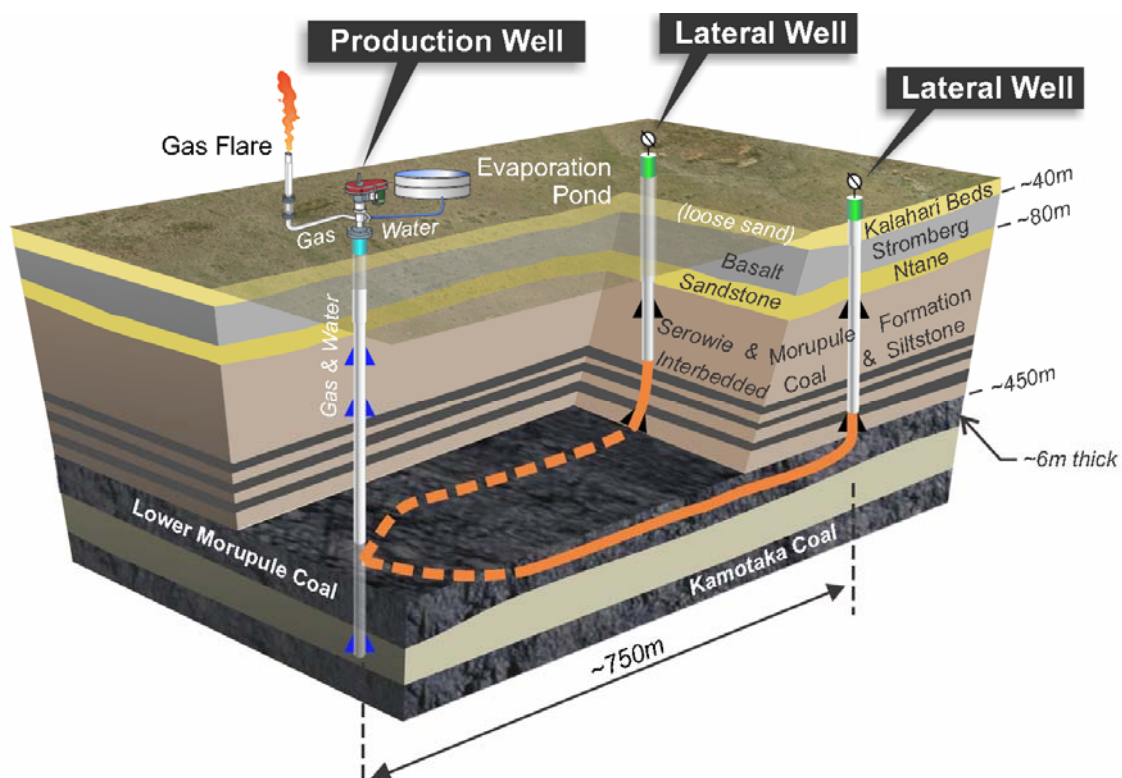


Pilot well drilling program

The Company has commenced drilling of pilot production wells at its gas field. If results are positive, these wells will form part of the Company's initial gas-to-power project which will include installation of transmission lines and grid connection.

The production well drilling program is being conducted in accordance with health and safety requirements and are consistent with the Company's approved environmental impact statement.

The wells are being drilled as 'dual lateral pods', comprising a single vertical production well intersected by two lateral wells. The lateral wells will be 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. Up to three pods are planned. 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' and pod three is designated 'Lesedi 5'.



Schematic of a Dual Lateral Pod

Once all six wells for Lesedi 3 and Lesedi 4 have been drilled, these pods will be completed using a separate workover rig and surface production facilities will be installed. Vertical and lateral sections for Lesedi 5 are optional and will be completed subject to results from Lesedi 3 and 4. Following installation

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of surface production facilities, completed wells will then begin production testing to de-water and lower the pressure in the coal seam to achieve gas flow.

During the quarter, the Company successfully completed the drilling of the top-hole sections for Lesedi 3 and Lesedi 4 with lateral sections to be completed in early 2019. All of the production pods are being drilled in the area proposed for the initial project development and are aimed at confirming gas flows as well as ensuring production readiness prior to commencement of development operations. Dewatering and production testing activities will begin immediately following the completion of the production pods.

The project will require connection to the local power grid. This connection is planned to be made at the town of Serowe approximately 100 Km from the Lesedi CBM project. A draft transmission line route has been determined with negotiations ongoing with the regional and local land boards.

Re-tender for the development of CBM fuelled Pilot Power Plants in Botswana

Earlier in 2018 the Company was invited by Botswana's Ministry of Mineral Resources Green Technology and Energy Security ('the Ministry') to submit a response under a Request for Proposal (RFP) for Development of CBM fuelled power plants in Botswana as an Independent Power Producer (IPP).

This proposal is for the development of CBM fuelled power plants up to 100MW. A successful RFP process can assist in the development of a new CBM gas industry in the country and create a new market for Tlou's independently-certified gas reserves of ~41 billion cubic feet (2P), ~427 billion cubic feet (3P) and significant contingent gas resources of ~3 trillion cubic feet (3C).

The Company submitted its proposal to government on 10 October 2018 and is awaiting a response.

The submission outlined a staged development commencing with up to 10MW 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 planned project could bring very significant benefits to Botswana. These benefits include providing: energy security; a cleaner form of local power; additional employment opportunities; the potential for new industries and; a potentially significant return for investors on the Botswana Stock Exchange.

If Tlou's proposal is accepted, it will provide an ideal pathway towards a Power Purchase Agreement (PPA). Once an initial development is completed, Tlou Energy's gas field will be connected to the

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regional grid, thereby opening the possibility for the Company to provide power across the region, via the Southern African Power Pool.

In addition to the tender process, the Company has entered into discussions with other potential off-takers of gas and power as well as potential financiers of the downstream development, the latter being subject to securing an appropriate PPA.

Environmental Impact Assessment

An Environmental Impact Assessment (EIA) for the downstream development of the power generation facility and transmission lines has been submitted. This was a comprehensive report that required extensive consultation with all stakeholders. Timely approval of the EIA will facilitate the implementation of the downstream power generation aspect of the project. The Company already has an approved EIA in place for upstream (field development drilling and exploration) operations.

Corporate

The Company's discussions with groups in Europe, China and the USA with interests in developing Tlou's CBM gas reserves is ongoing. An application for a Generation License remains with the relevant authority in Botswana for processing.

The Company's priorities remain to:

- Secure a clear pathway towards a Power Purchase Agreement in Botswana. This would in turn facilitate connection to the local power grid and hence access to the Southern African Power Pool;
- Confirm gas flows at the on-going Lesedi drilling program and prove up additional gas reserves.

Anthony Gilby

Managing Director

Tlou Energy Limited

Website: www.tlouenergy.com

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For further information regarding this announcement please contact:

Tlou Energy Limited	+61 7 3012 9793
Tony Gilby, Managing Director	
Solomon Rowland, General Manager	
Grant Thornton (Nominated Adviser)	+44 (0)20 7383 5100
Samantha Harrison, Colin Aaronson, Harrison Clarke	
Shore Capital (Broker)	+44 (0) 207 408 4090
Jerry Keen, Toby Gibbs, Mark Percy	
FlowComms Limited (Investor Relations)	+44 (0) 7891 677 441
Sasha Sethi	

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 expensive 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.

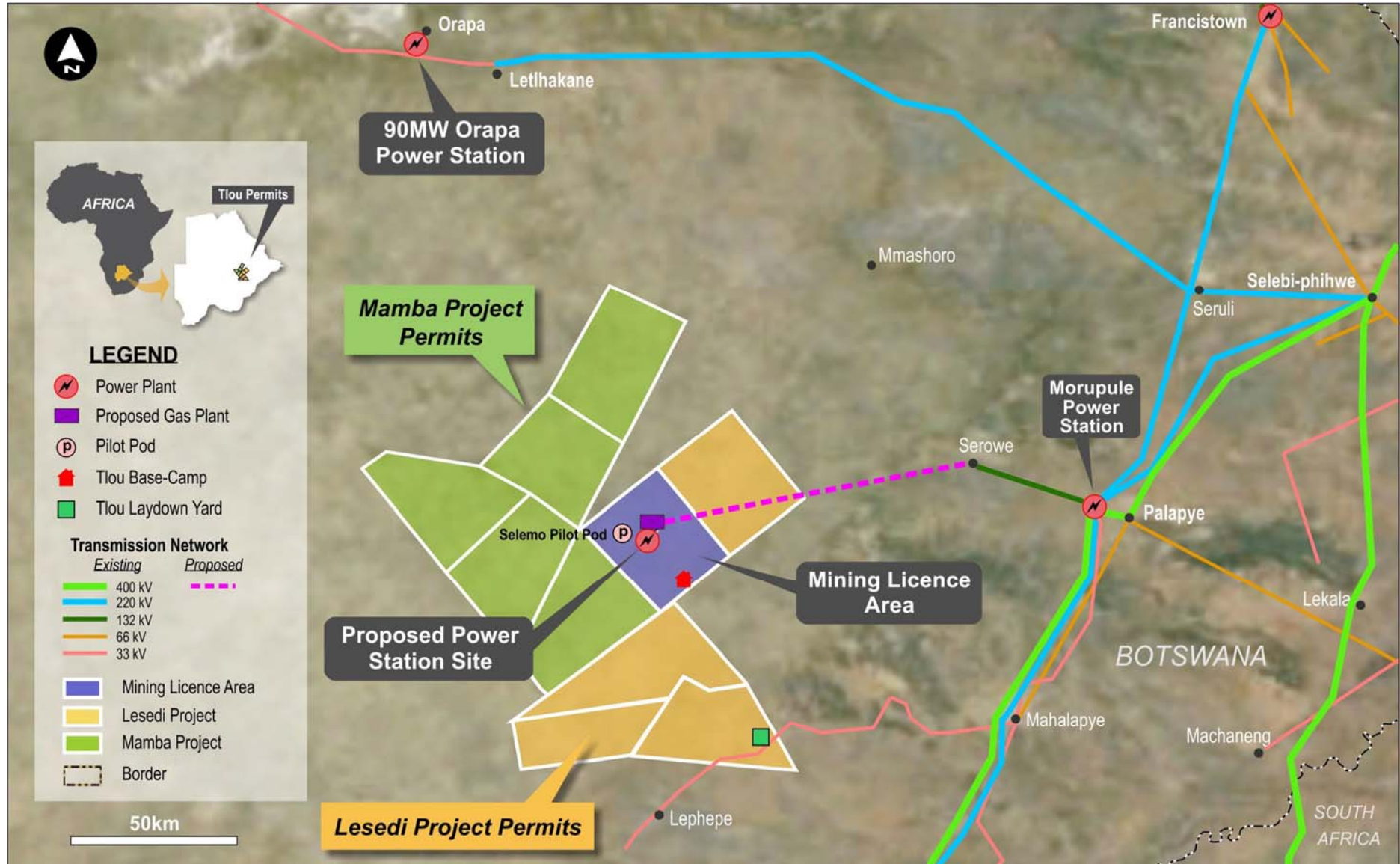
Since establishment, the Company has significantly de-risked the project in consideration of its goal to become a significant gas-to-power producer. The Company flared its first gas in 2014 and has a 100% interest in a Mining Licence and nine Prospecting Licences covering an area of ~8,300 Km² in total. The Lesedi and Mamba Projects already benefit from significant independently certified 2P gas Reserves of ~41 BCF. In addition, 3P gas Reserves of ~427 BCF and Contingent Gas Resources of ~3,044 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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Lesedi and Mamba CBM 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

Thou Energy Limited

ABN

79 136 739 967

Quarter ended ("current quarter")

31 December 2018

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	(2,895)	(3,583)
(b) development	(1)	(28)
(c) production		
(d) staff costs	(394)	(863)
(e) administration and corporate costs	(434)	(786)
1.3 Dividends received (see note 3)		
1.4 Interest received	2	5
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Research and development refunds		
1.8 Other	324	324
1.9 Net cash from / (used in) operating activities	(3,398)	(4,931)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(602)	(1,771)
(b) tenements (see item 10)		
(c) investments		
(d) other non-current assets		

Mining exploration entity and oil and gas exploration entity quarterly 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) 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	(602)	(1,771)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	411	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	411	5,229

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	9,104	7,019
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,398)	(4,931)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(602)	(1,771)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	411	5,229
4.5	Effect of movement in exchange rates on cash held	6	(25)
4.6	Cash and cash equivalents at end of period	5,521	5,521

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	5,521	9,104
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)	5,521	9,104

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	2,493
9.2 Development	
9.3 Production	
9.4 Staff costs	401
9.5 Administration and corporate costs	334
9.6 Other (Equipment)	99
9.7 Total estimated cash outflows	3,327

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				

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:


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(Director/Company secretary)

Date:23 January 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.