

TLOU ENERGY LIMITED**16 October 2019**

**Tlou Energy Limited
("Tlou" or "the Company")****OPERATIONAL REPORT - QUARTER ENDING 30 SEPTEMBER 2019**

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 coal bed methane (CBM) natural gas.

Key events during the previous quarter:

- Lesedi 3 and 4 achieved initial sustained gas flows of approximately 20 thousand standard cubic feet per day (Mcf) from each pod;
- Gas flow rates anticipated to increase steadily as the coals become gas saturated;
- Core-hole drilling utilising Tlou's own drilling rig commenced in the Mamba project area, with the objective of providing valuable data required for the expansion of the Company's gas Reserves and Contingent Resources.

Dewatering and gas flow testing

During the quarter the Company's operations made excellent progress with the Lesedi gas production pods having achieved sustained gas production rates.

Following completion of the first phase of production testing, including initial dewatering, reaching critical gas desorption point and commencing gas production, the pods commenced producing sustained gas flows. The initial rates were approximately 20 thousand standard cubic feet per day (Mcf) from each pod. This was an excellent start and the Company is very encouraged by production data to date.

Gas production is continuing and, as with most new CBM developments the rate is anticipated to continue increasing following further reduction of pressure in the coal and additional dewatering, with the aim to reach a peak and commercial gas flow rate as soon as possible.

The current stage of production involves maintaining pressure on the reservoir to further reduce water production, so that the lateral wells become gas saturated, rather than water saturated. This is followed by reducing pressure in the wells to the desired level which, once achieved, is usually expected to significantly increase the gas flows from the wells. This is a methodical and detailed process and takes time to achieve. The Company will update the market on further progress in due course.

TLOU ENERGY LIMITED



With CBM projects not yet established in this region, Tlou could pioneer CBM development in the area. Successful results from this project could potentially facilitate the opening up of a whole new CBM basin in Botswana and be a significant boost not only for Tlou, but for the whole region, with the potential for Tlou to supply power within Botswana and also into neighbouring countries via the Southern African Power Pool (SAPP).

Core-hole drilling

During the quarter, Tlou commenced core-hole drilling in the Mamba project area. Operations are being conducted using Tlou's core drilling rig and Tlou's experienced field-based personnel. As the Company is not using external drilling contractors the costs of core drilling are relatively low.



Core-hole drilling and core analysis provides valuable information regarding coal quality and gas content. This data is required for the expansion of the Company's gas Reserves and Contingent Resources and providing information to assess new areas for potential development.

Gas-to-Power Tender

In 2018 the Company submitted a tender to Botswana's Ministry of Minerals Resources, Green Technology and Energy Security for the Development of a CBM-fuelled power plant in Botswana and was subsequently selected as a preferred bidder for this proposal.

If successful, the negotiations will result in the Company agreeing a Power Purchase Agreement (PPA) with the Government of Botswana, whereby Botswana Power Corporation (BPC), the national electricity utility in Botswana, would purchase the power produced by Tlou at the Lesedi project.

TLOU ENERGY LIMITED



The tender negotiations are confidential and are being led by the government of Botswana. The government has confirmed its commitment to the development of CBM-fuelled pilot power plants and is in the process of sourcing an advisor to assist them in tender negotiations. Further information will be provided by the government in due course, with the next update expected after Botswana's general election later this month.

Forward plan

3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	Post 4Q20
<ul style="list-style-type: none"> • Gas flows from Lesedi 3P & 4P • Mamba Project drilling 	<ul style="list-style-type: none"> • Finalise PPA • Generation Licence Award • Close development financing from Botswana 	<ul style="list-style-type: none"> • Seismic (~200km) • Reserve upgrade 	<ul style="list-style-type: none"> • Start Poles & Wires • Southern African Power Pool (SAPP) application 	<ul style="list-style-type: none"> • Generators & civils at Central Processing Facility • Boomslang Project EIS approval • Boomslang drilling 	<ul style="list-style-type: none"> • Target first electricity sales • SAPP membership approved 	<ul style="list-style-type: none"> • Expansion to 10MW+

The Company's forward plan, subject to financing and operational results, targets finalising a PPA and development financing as soon as possible, with first electricity sales potentially in late 2020. The Company will commit to significant field operations once development, exploration and working capital funding has been secured. The Company is listed on three exchanges so continually monitors all corporate and operational costs with a view to reduce or cut costs in any area not perceived to be adding value.

The Company is progressing funding options for the development of the first 10MW of power generation as well as funding for further exploration and working capital requirements. Significant progress has been made with Botswana Development Corporation (BDC) for financing of the full 10MW project. The total cost for the 10MW project is estimated at USD\$30m including 66kV transmission lines, central processing facility (CPF), 10MW of generation assets and additional production wells. The Company expects to complete negotiations for the first phase of funding by the end of the year.

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Project areas

The Company has three project areas in Botswana:

- Lesedi Project – *Development, Exploration*
- Mamba Project – *Exploration*
- Boomslang Project – *Exploration*

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 gas producing Lesedi 3 and 4 development wells or 'pods'.

The Lesedi project is the Company's most advanced project, with plans in place to install gas-fired electricity generators and connect to the power grid in Botswana. Subject to results, the first electricity sales could commence in late 2020.

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. Clean CBM power is ideal for use in conjunction with solar projects.

Tlou has the only CBM Mining Licence in Botswana. A 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 so the Company has security of tenure over the project.

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). The potential upside from further successful development of this area is phenomenal.

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

TLOU ENERGY LIMITED**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 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 considerable flexibility and optionality. Geographically, the Mamba Project area is approximately 50 km closer to the Orapa Power station than the Lesedi Project area.

Independently certified 3P Gas Reserves of 175 BCF are already in place at the Mamba project. Core-hole drilling is ongoing in the Mamba project which, along with a proposed seismic survey of the area is aimed at significantly expanding 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.

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 and considered to be highly prospective.

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

TLOU ENERGY LIMITED

The Company is awaiting confirmation of environmental approval to commence exploration operations in the Boomslang area. This is expected to be granted in mid-2020, thereafter initial exploration operations are planned for this area.

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 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.

For further information regarding this announcement please contact:

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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

TLOU ENERGY LIMITED



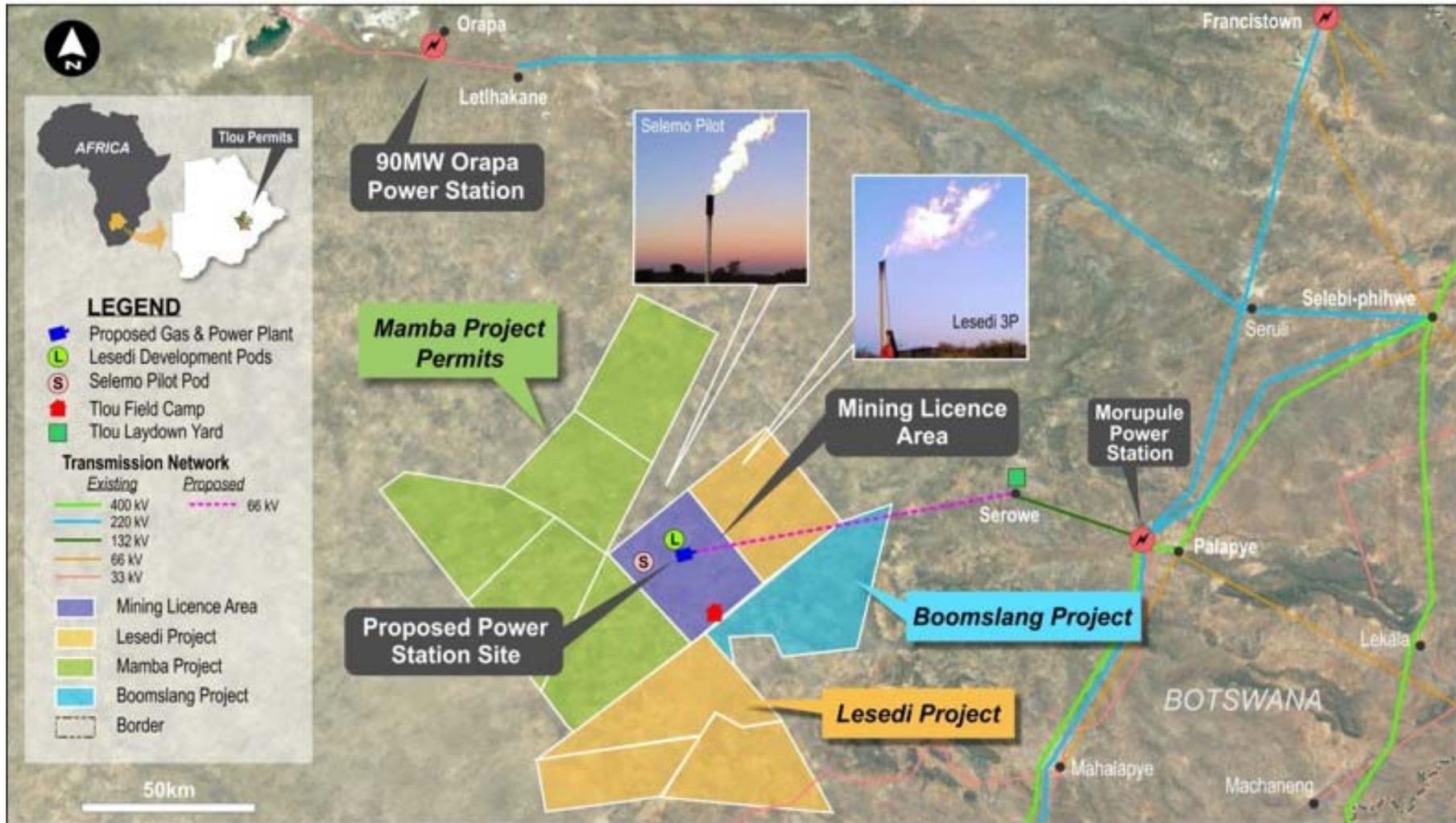
opportunity using domestic gas to produce power and displace expensive diesel and imported electricity.

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 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.

TLOU ENERGY LIMITED



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")

30 September 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(587)	(587)
(b) development	(9)	(9)
(c) production		
(d) staff costs	(389)	(389)
(e) administration and corporate costs	(315)	(315)
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 Research and development refunds		
1.8 Other	254	254
1.9 Net cash from / (used in) operating activities	(1,046)	(1,046)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(21)	(21)
(b) tenements (see item 10)		
(c) investments		
(d) other non-current assets		

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 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	(21)	(21)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares		
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		
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	-	-

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	5,205	5,205
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,046)	(1,046)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(21)	(21)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5 Effect of movement in exchange rates on cash held	(19)	(19)
4.6 Cash and cash equivalents at end of period	4,119	4,119

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	4,119	5,205
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)	4,119	5,205

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**

256

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	296
9.2 Development	
9.3 Production	
9.4 Staff costs	408
9.5 Administration and corporate costs	286
9.6 Other (Equipment)	
9.7 Total estimated cash outflows	990

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:  Date:16 October 2019.....
(Director/Company secretary)

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.