

TLOU ENERGY LIMITED**29 July 2019****Tlou Energy Limited
("Tlou" or "the Company")****OPERATIONAL REPORT - QUARTER ENDING 30 JUNE 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 quarter:

- The Lesedi 3 & 4 pods continue to dewater and produce gas from the coal as the Company aims to confirm commercial gas flow rates, with further updates to be provided in near term;
- Progress in the gas-to-power tender has led to Tlou successfully going through the technical and financial evaluation stages, and is now at the final stage, being the negotiation of a Power Purchase Agreement;
- Downstream environmental approval has been secured. The authorisation is valid for 30 years and includes development of CBM power generation, including the drilling of up to 200 production pods and installation of transmission lines.

Dewatering and gas flow testing

During the quarter the Company's operations have made excellent progress and are proceeding according to plan at the Lesedi CBM project.

In the first quarter of the year the Company completed the drilling of two production pods, designated Lesedi 3 and Lesedi 4. Dewatering of the coal then commenced. During the current quarter, dewatering continued at these pods with both wells reaching Critical (gas) Desorption Pressure (CDP). Reaching CDP is a positive milestone in the operation and means that as a result of a successful dewatering process, gas begins to come out of the coal.

The next stage of the operation involves continued water pumping which should see gas pressure



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steadily increase to an optimal point so that sustained testing and flaring of the gas can begin. The aim is to achieve a continuous flow of gas from the well. A CBM gas flow typically starts out from an initial rate and then steadily increases to reach a commerciality threshold.

As part of this process, gas is periodically flared from the wells. Post quarter end a short-term flow test was successfully conducted at Lesedi 3 and a video clip of the gas flare from this test is available on our website <http://tlouenergy.com/presentations>.

The Company looks forward to being able to announce a commercial gas flow rate. In the interim operations personnel are carefully managing the testing procedures to try and ensure the best possible result. The dewatering and gas flow testing process is separate from the gas-to-power tender negotiations. Further updates on the progress of the wells will be provided as operations continue.

Gas-to-Power Tender

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

During the quarter, the Company successfully passed the technical and financial evaluation stages of the gas-to-power tender. The process is now at the negotiations stage, aimed at agreeing a Power Purchase Agreement. These negotiations are confidential and are being led by the government of Botswana. Further progress will be announced by the government in due course.

Downstream Environmental Impact Statement approval

Botswana's Department of Environmental Affairs (DEA) has approved the Environmental Impact Statement (EIS) for up to 20MW of CBM power generation including the drilling of up to 200 production pods, a 66kV Transmission Line and a Solar Farm up to 20MW.

In 2018 the Company commenced work on its application for an EIS for downstream development (power generation and transmission). The Company already has approval in place for its upstream activities (development drilling and exploration).

Downstream EIS approval is a major achievement as it is the final environmental authorisation required to move the Lesedi CBM Project through to commercialisation. The EIS is for all the specified project activities in the Company's application, is valid for 30 years and provides the Company the flexibility to rapidly expand power generation activities.

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Project areas

The Company has three project areas in Botswana:

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

A brief summary of each area is outlined below.

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 3 and 4 development wells which are currently being dewatered and flow tested following the recent 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 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.

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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 were submitted in June 2019, with an update on the applications expected to be received in September 2019.

Boomslang Project Area, Botswana

Licences: Prospecting Licence 011/2019

Ownership: Tlou Energy Limited 100%

The Company's newest 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.

The award of the Boomslang licence area (adding to the Company's existing Lesedi and Mamba Project areas) 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

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.

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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 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.

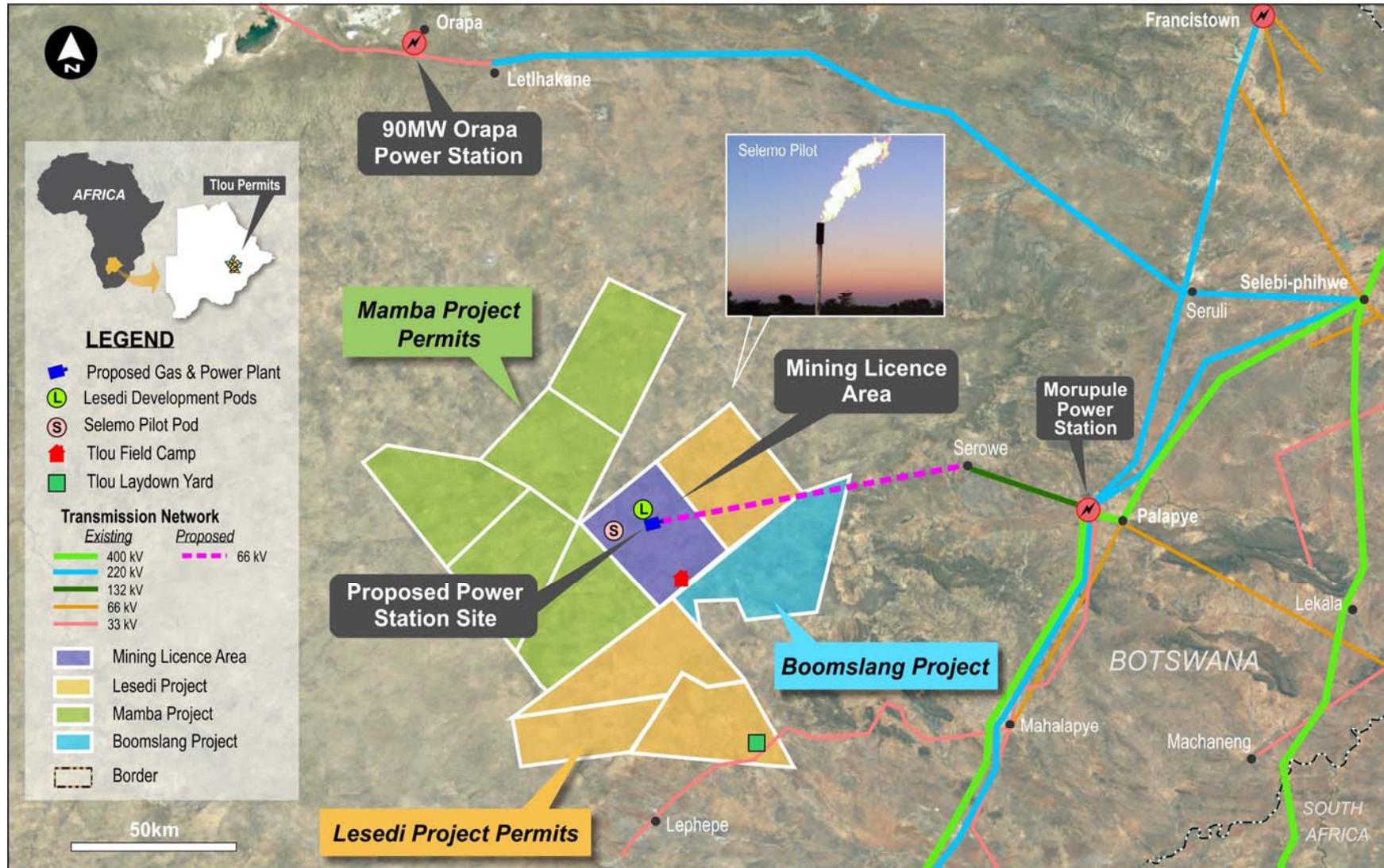
Since establishment, the Company has significantly de-risked the project in consideration of its goal to become a significant gas-to-power producer. The Company flared its first gas in 2014 and has a 100% interest over its Mining Licence and ten Prospecting Licences covering an area of ~9,300 Km² in 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.

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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

Thou Energy Limited

ABN

79 136 739 967

Quarter ended ("current quarter")

30 June 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(580)	(6,584)
(b) development	(6)	(34)
(c) production		
(d) staff costs	(358)	(1,623)
(e) administration and corporate costs	(366)	(1,451)
1.3 Dividends received (see note 3)		
1.4 Interest received	1	7
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Research and development refunds		
1.8 Other	69	683
1.9 Net cash from / (used in) operating activities	(1,240)	(9,002)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(79)	(1,988)
(b) tenements (see item 10)		
(c) investments		
(d) other non-current assets		

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 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	(79)	(1,988)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	4,107	9,596
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	(46)	(306)
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	4,061	9,290

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	2,522	7,019
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,240)	(9,002)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(79)	(1,988)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	4,061	9,290
4.5 Effect of movement in exchange rates on cash held	(59)	(114)
4.6 Cash and cash equivalents at end of period	5,205	5,205

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	5,205	2,522
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)	5,205	2,522

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**

237

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	372
9.2 Development	
9.3 Production	
9.4 Staff costs	395
9.5 Administration and corporate costs	243
9.6 Other (Equipment)	111
9.7 Total estimated cash outflows	1,121

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:29 July 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.