

TLOU ENERGY LIMITED

29 January 2016

OPERATIONAL REPORT - QUARTER ENDING 31 DECEMBER 2015

HIGHLIGHTS

- Production testing of the expanded pilot wells at Selemo continues in line with management expectations with gas pressure now building positively;
- Tlou Energy submits environmental impact statement for the Lesedi CBM project;
- Tlou Energy successfully completes dual listing on AIM.

TLOU ENERGY LIMITED PROJECTS

Botswana

PLs 001-003/2004 and PLs 35 & 37/2000 – Lesedi coal bed methane (“CBM”) Project Area, Botswana

(Tlou Energy Limited 100%)

Operations

The original Selemo lateral production pod (Selemo 1P) recently had two new lateral pods drilled either side of it (Selemo 2P and 4P) to assist with dewatering and ultimately enhance gas deliverability. Following the successful drilling program, each new vertical production well was completed with down-hole equipment to enable water level reduction and allow the gas to begin to be liberated from the coal.

The dewatering and testing process includes:

Testing stage	Status
1) reducing the water level in each of the three vertical production wells;	Achieved
2) reaching the critical gas desorption point;	Achieved
3) gas pressure building up in each well; and	Achieved
4) flowing and testing the gas production rates.	Commenced

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Dewatering operations commenced in mid-September 2015 and continued throughout the quarter. The dewatering proceeded in a controlled manner with all three wells reaching critical desorption pressure and steadily building wellhead pressure.

Production data to date is very encouraging and in line with what our reservoir engineers had anticipated prior to commencement of the testing process, with well behaviour and water production consistent with expectations.

The current phase is the step rate gas testing program. The aim of the testing program is to provide evidence of sustainable gas production rate achievable from the field. This process will also provide vital data on well performance which can then be incorporated into field development plans.

Downstream activities

Tlou has made significant progress on its downstream plans for the development of gas-to-power projects in Botswana. During the quarter, Tlou has had discussions with a number of power development, investor and lender groups, mainly based in the United Kingdom and Europe where there is a strong appetite for African based energy projects.

There is considerable interest from these groups to partner with Tlou to initially develop a 10 MW gas-to-power project in Botswana and thereafter further expand to cover the chronic energy supply shortfalls being experienced in Botswana and throughout Southern Africa.

Concurrently, the company is making progress in its discussions with the Botswana government with regard to the required agreements, authorisations and permits required for operation of combined gas-to-power projects in the country.

Environmental Impact Statement Submitted

Tlou, along with its environmental consultant, Ecosurv have made significant progress on environmental matters for the Lesedi CBM Project during the quarter:

- Submitted an environmental project brief;
- Held public consultations;
- Completed specialist environmental studies;
- Submitted a scoping report; and
- Submitted the final environmental impact statement.

During the quarter the Scoping Report was approved by the Department of Environmental affairs (DEA).

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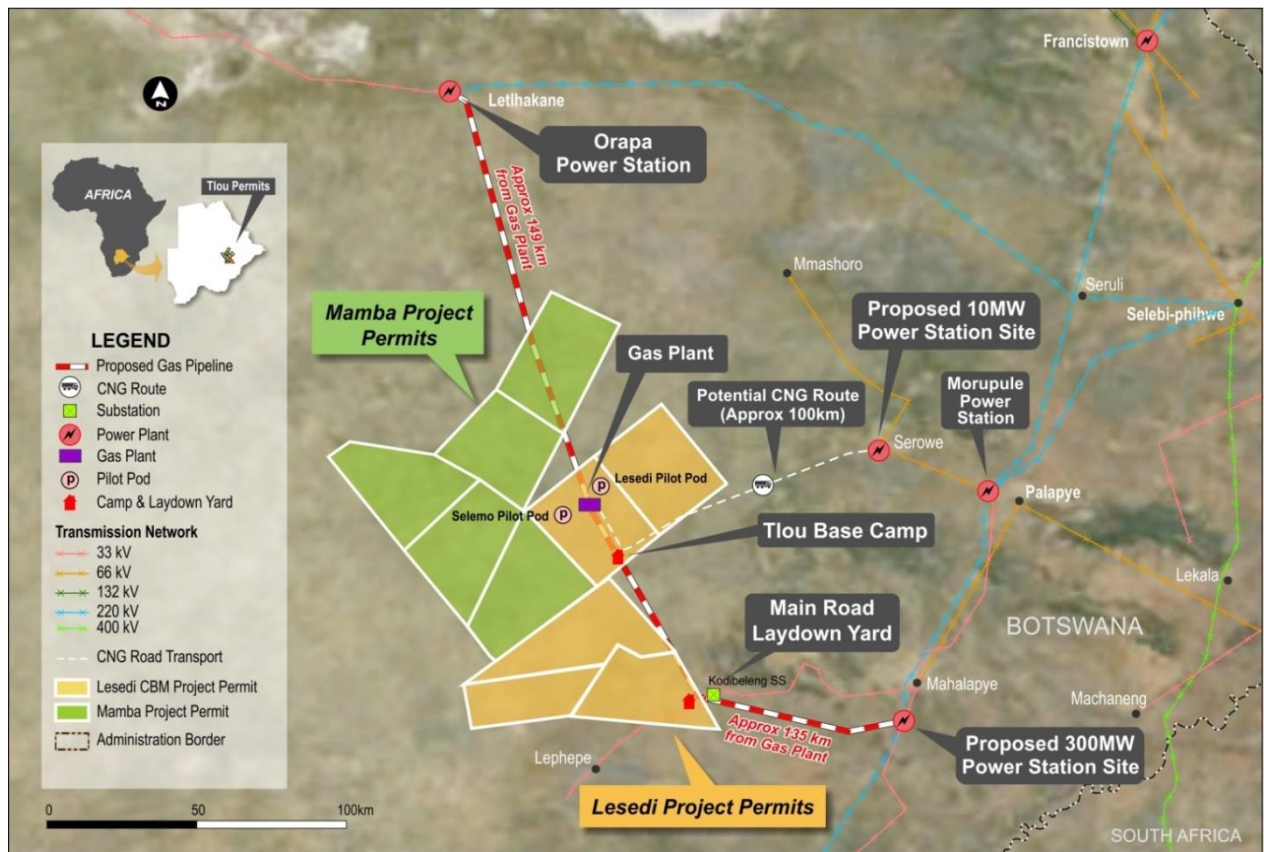
Following this approval, Tlou submitted its final Environmental Impact Statement (EIS) for the Lesedi CBM project. Review and approval of the EIS by the DEA is the final stage in the environmental process. Tlou is expecting to receive EIS approval in the first half of 2016.

The EIS for the Lesedi CBM Project is a ‘full development’ EIS comprising of up to 200 production pods and a central processing facility for the gathering and beneficiation of gas and water.

PLs 237-241/2014 – Mamba Project Area, Botswana

Tlou Energy Limited 100%

The Mamba project consists of five CBM permits in Botswana covering an area of approximately 4,500 km². The Mamba permits are considered to be highly prospective as they are situated adjacent to Tlou’s Lesedi CBM Project and are on-trend with the encouraging results observed to date. No operations were conducted in the tenement during the quarter. In the event of a gas field development by Tlou, the acquisition of the Mamba area provides the Company with considerable flexibility and optionality.



TLOU ENERGY LIMITED**CORPORATE UPDATE****AIM Admission**

Tlou Energy Limited was admitted to the AIM market of the London Stock Exchange ("AIM Market" or "AIM") and trading commenced on 30 November 2015. Tlou is now dual listed on the Australian Securities Exchange (trading code: TOU) and AIM Market (trading code: TLOU).

In conjunction with the AIM Admission, Tlou completed an equity placement of 18,462,973 ordinary shares (largely professional and sophisticated investors), raising approximately A\$2.6 million. These funds are being used to fund the current gas flow testing at Selemo, book reserves in 2016 and secure EIA approvals in advance of field development. Following admission of the Company to AIM, 1,500,000 options were issued to Brandon Hill Capital, exercisable at a price of A\$0.14 per share with an expiry date of 29 November 2017 pursuant to the option agreement disclosed in the AIM Admission Appendix.

In addition, 500,000 options exercisable at a price of A\$0.14 per share with an expiry date of 15 January 2018 were issued to Optiva Securities Limited as announced on 15 January 2016.

Tlou's dual listing on AIM is expected to enhance stock liquidity and access a deeper pool of funding for its future power generation plans aimed at helping the Southern African Development Community (SADC) region cope with the current power crisis.

NEW VENTURES

While the company is focussed on the Lesedi CBM project, the company will continue looking at potential areas of expansion should the possibility arise.

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TLOU ENERGY LIMITED**Tlou- Key Statistics (as at 31 December 2015)**

- ASX Code – TOU
- AIM Code- TLOU
- Shares on issue ~ 206 million
- Fully diluted ~ 218 million
- Cash balance ~ \$2.9 million (AUD)
- Debt = Nil
- Primary Focus is the Lesedi CBM Project in Botswana

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