

TLOU ENERGY LIMITED**21 June 2016**

Market Update**100 MW CBM Power Supply Announced by Government of Botswana**

Tlou Energy Limited, the AIM and ASX listed company focused on delivering power in Botswana and Southern Africa through the development of coal bed methane ('CBM') projects, is pleased to announce that the Government of Botswana has proposed that the delivery of 100 MW of CBM power be incorporated into its future generation supply plans. This very significant development validates the Company's strategy as it awaits results of its tender for an initial 10 MW pilot project within the Government's 100 MW power supply plans.

Key points:

- As the most advanced CBM project in Botswana, Lesedi is strongly positioned to benefit from this plan
- Proposal fits with Tlou's plans to build gas-to-power projects to positively impact Botswana's constrained energy environment
- Significant growth potential to scale the Lesedi project as the field expands
- Gas flow testing continues with positive results to date

Note: All times quoted are referenced to Australian Eastern Standard Time (AEST) unless otherwise stated

Tlou Acting Managing Director Gabaake Gabaake said, "As the most advanced CBM project in the country we are extremely well placed to become a major supplier of this power. Therefore a firm decision in respect to the Government's plans to include 100 MW of CBM generated power in its power production programme could be transformational for Tlou and its shareholders.

"Given this news, our plan to initially develop a 10 MW project is now even more tangible and the potential for being granted not only an offtake for our gas but to generate revenues by supplying much needed power to the national grid provides even more encouragement that our project will be a success. There is also a possibility that

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Tlou will be granted approval for a project larger than 10 MW. Should our application be successful, it will allow the Company to fast-track the development of the Lesedi and Mamba project areas knowing we have a long term committed government backing our project. A larger project also gives Tlou more options and the ability to capitalise on economies of scale to potentially optimise development costs.

“The Government of Botswana has always been extremely helpful and supportive of our project and this news continues to show their support for CBM in Botswana. We look forward to developing the project to the benefit of Tlou’s Shareholders and the people of Botswana.”

Operations Update

Gas flow testing is continuing in the field with the operations team currently conducting planned routine maintenance. As reported previously, sustained gas flows have been achieved following successful dewatering of the main producing well Selemo 1 with the Selemo 2 and 4 wells being mobilised in late April 2016 to aid with shielding water from the formation. Since then, further dewatering of the main well and the shielding wells has provided encouraging results. Achieving sustained and commercial flow rates from Selemo is key to the success of the project. A further update on testing operations will be provided later this month following completion of on-going maintenance.

100 MW CBM Power Supply

In his address at the recent Botswana Resource Sector Conference in Gaborone, the Minister of Minerals, Energy and Water Resources detailed a plan to address the power deficiency in the country. For the first time, CBM has been included as part of the plan, with the government committing to an initial 100 MW of generation to be brought into the market via CBM.

With independently certified contingent gas resources of ~3.3 trillion cubic feet (TCF) (3C High Estimate) already in place, Tlou has a vital role to play in the Botswana CBM Industry. The Company will work closely with the Government to ensure that it plays a major part in bringing this power into the market as it ties in well with Tlou’s scalable gas-to-power project and strategy to position the Company as a significant vertically integrated energy provider in Southern Africa.

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Should Tlou's application be successful then various elements of the project, including timing, pricing mechanism, mid-stream and upstream options, will be negotiated with the Ministry of Minerals, Energy and Water Resources. The Company will also continue to discuss project level financing options with a number of potential strategic partners and power construction firms who are keen to expand into the Southern African gas-to-power market.

The Government of Botswana has also initiated the creation or improvement of the policy framework to enable development of the CBM industry and the contribution of the industry to the local electricity supply portfolio and the Board looks forward to updating the market on any relevant developments as this information becomes available.

In addition, arrangements are underway to use gas for the 2 X 45MW (90 MW total) Open Cycle Gas Turbine Power Plant (owned by Botswana Power Corporation) at the Orapa diamond mine, the largest diamond mine in the world and a major consumer of power produced from imported diesel – a power option which is significantly more expensive and environmentally unattractive when compared with Tlou's proposed gas-to-power offering. Tlou submitted its expression of interest for the supply of gas to Orapa in 2015 and also hopes to be in a position to update upon this in due course.

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Company Information

Tlou Energy is an AIM and ASX listed company focused on delivering power in Botswana through the development of coal bed methane ('CBM') projects. Botswana has a severe energy shortage and is currently relying on expensive imported power and diesel generation to deliver its requirements. However, as the 100% owners of the most advanced gas project in the country, the Lesedi CBM Project ('Lesedi'), Tlou Energy provides investors with access to a compelling immediate and longer term opportunity using domestic gas to produce power and displace the expensive diesel and import market.

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The Company is led by an experienced Board, management and advisory team including individuals with successful track records in the Australian CBM industry.

Since establishment in 2009 the Company has significantly de-risked the project in consideration of its goal to become a significant gas to power producer. The Company has the most advanced CBM project in Botswana and flared its first gas in 2014. It holds 10 prospecting licences covering an area of ~8,300Km² and the Lesedi project already benefits from significant, independently certified contingent resources of ~3.3 trillion cubic feet (TCF) (3C). Following completion of the current gas flow tests at Selemo the Company is looking to book certified gas reserves, thereby becoming the first company in Botswana to do so.

The first planned gas-to-power solution is expected to be delivered through a scalable project with the Botswana Government as off-take partner. Following successful implementation of this project the Company plans larger projects to provide further power to Botswana and the southern African region.

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