

TLOU ENERGY LIMITED**29 June 2016**

Gas Flow Testing Update

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 provide an update on the on-going gas flow testing operations in progress at its Lesedi CBM Project in Botswana. The aim of the gas testing program is to provide evidence of a sustainable gas production rate achievable from the field and develop the first wells flowing commercial rates of gas in Botswana.

Key points:

- **Gas flow testing resumed successfully and continues with positive results to date**
- **Selemo 4 gas production exceeding expectations and potentially a second key gas producer alongside Selemo 1**
- **Routine maintenance conducted to enhance well communication at Selemo 1**

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

Tlou Acting Managing Director Gabaake Gabaake said, "Following on from our encouraging initial gas flows at Lesedi, the data received from the Selemo 4 well is extremely encouraging with gas production exceeding our expectations.

"Positive gas flows have already been achieved from Selemo 1 and we are encouraged that significant gas is still expected to flow from the lateral wells.

"These positive results follow the recent announcement from the Botswanan Government that it is proposing the delivery of 100MW of CBM power to be incorporated into its future generation supply plans, which is particularly significant for Tlou as we are developing the most advanced CBM project in Botswana. I look forward to providing further updates on the progress of our gas flow testing in due course."

TLOU ENERGY LIMITED**Gas Flow Testing**

Gas flow testing is continuing at the Lesedi CBM Project in Botswana. As reported previously (see press release on 25 February 2016), a sustained gas flow was achieved from the main producing well Selemo 1, with the shielding wells Selemo 2 and 4 successfully shielding water from the formation.

Following the commencement in April 2016 of drawdown in all Selemo wells, Selemo 4, drilled as the northerly shielding well, has now also demonstrated sustained gas flows. This is a very favourable outcome and far exceeded the Company's expectations with the potential to be a second key gas producing well in the Selemo area. Selemo 4 is still in the well desorption stage and is expected to continue to produce enhanced gas rates with further dewatering.

At Selemo 1, the central and main producing well, the operations team recently conducted a workover to clear coal fines at the intersection of the vertical and lateral wells, which can cause reduced communication between the well pair. This is a common operating procedure with CBM wells where water is pumped down the vertical well and along the coal seam through the lateral well. Gas production testing from Selemo 1 was temporarily discontinued during this procedure and has now recommenced.

Following the workover, pumping and metering equipment has been installed on the lateral end of the Selemo 1 pilot pod. This facilitates production of gas from both the vertical producer and also the lateral end of the pod if necessary. This is advantageous as gas can still be recorded from both wells even in the event of reduced communication between lateral and vertical sections.

Selemo 2, the most southerly of the Selemo wells, drilled as a shielding well to keep water out of the formation, is performing as planned. This well has also flown gas, although not expected to produce at rates as significant as the main Selemo 1 well or now Selemo 4, as the lateral section intersects less coal than the other two wells due to the geology of the area.

Flow rates from the lateral section of a well are expected to be far greater than that of a vertical well. The rates already achieved have been very positive, although to date they have predominately been from the vertical sections of both the Selemo 1 and Selemo 4 wells. At Selemo 1 this is due to the communication restriction that was limiting the flow

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from the lateral section. In the case of Selemo 4 it is due to the fact that the coal seam has not yet been fully dewatered having gone into production testing later than Selemo 1.

Therefore, with positive gas flows already achieved the Company is encouraged by the fact that significant gas is still expected to flow from the lateral sections of the wells. These will be key rates and should they be in line with expectations the additional flows from these lateral sections will be transformational for the Company.

In the near term Tlou will monitor flow rates at Selemo 1 from both the lateral and vertical wells to build on the rates already achieved. In addition the Company will continue to dewater the coal seam at Selemo 4 to enhance the flow rate to commercial levels.

Update on Executive Team

As announced to the market earlier this year, Mr Tony Gilby has been on extended leave due to illness. The Company is pleased to announce that Tony's health has improved significantly and he has been regularly participating in Board discussions.

Tony has vast experience and expertise in the industry and a very successful history with CBM companies. He was a founding shareholder of Arrow Energy in Australia and was instrumental in establishing and leading Australian CBM explorer Sunshine Gas prior to its AUD\$1.1 billion takeover by BG.

It is expected that Tony will assume further responsibility with the Company during the second half of the year. In the meantime, Gabaake Gabaake continues to operate as acting Managing Director.

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TLOU ENERGY LIMITED**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.

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. 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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