

TLOU ENERGY LIMITED**28 October 2016**

Tlou Energy Limited**("Tlou" or "the Company")****OPERATIONAL REPORT - QUARTER ENDING 30 SEPTEMBER 2016****Highlights**

- Tlou achieved Botswana's first independently certified CBM gas reserves
- 50MW Power Project Approved
- Co-operation Agreement renewed with General Electric and IK Holdings
- Environmental Impact Statement Approved
- Tlou completed oversubscribed equity placement

TLOU ENERGY LIMITED PROJECTS**Lesedi CBM Project Area, Botswana**

PLs 001-003/2004 and PLs 35 & 37/2000

Tlou Energy Limited 100%

Selemo Production Testing and Reserve Certification

The Company is focused on delivering power in Botswana and Southern Africa through the development of coal bed methane ('CBM') projects. Tlou's Lesedi CBM Project ('Lesedi') is the most advanced CBM project in Botswana which includes the gas producing Selemo production wells. Independently certified gas reserves have recently been booked in the Selemo area, a very significant achievement for the Company.

The three Selemo production wells, also referred to as pods, each consist of a vertical well and an intersecting horizontal well. Sustained gas rates have been flowing at the Selemo pilot project for several months. The data obtained to date from the production testing program at Selemo was used by SRK Consulting (Australasia) Pty Ltd in its reserve certification process, resulting in the booking of independent reserves post quarter end. Gas flow rates are expected to grow over time with further field desorption and, subject to results, this will aid enhanced reserve certification. The data being recorded will also be incorporated into future field development plans.

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50MW power project

Early in the quarter, Tlou received confirmation from Botswana's Public Procurement and Asset Disposal Board that it has been selected to tender for and develop a 50MW CBM fired power station. This approval followed the decision by the Government of Botswana to incorporate 100MW of CBM power into its future generation supply plans from 2018.

The Company plans to develop the project in stages, initially up to 10MW and expanding thereafter, with key terms of the project to be agreed with the government in the near term. This project creates a market for the recently certified gas reserves and may in due course draw on the approximately ~3.3 trillion cubic feet (TCF) of contingent gas resources which have been certified previously.

Co-operation Agreement

Tlou has renewed a Co-operation Agreement with General Electric International Inc. ('GE') and IK Holdings Pty Ltd ('IK Holdings') for the delivery of a proposed gas to power solution for Botswana ('the Agreement').

The Agreement provides the framework for co-operation between the parties in relation to sharing of infrastructure and technical support for the delivery of the 50MW power project, gas supply to the existing 90MW Orapa power station owned by Botswana Power Corporation, and a proposed 300MW gas-fired power project to be developed by IK Holdings and GE.

GE is a world-leader in the design, construction, operation and maintenance of power generation facilities. It has a material portfolio of gas compression, CNG plants, LNG plants and water treatment as well as operating and maintenance experience.

IK Holdings is an Australian company established with the primary purpose of developing new sources of gas-fired power in Botswana. The directors and senior management of IK Holdings have considerable experience in the delivery of gas to power, primarily in Australia and have been prequalified by the Botswana Ministry of Mines, Energy and Water Resources ('MMEWR') to submit a tender offer for a 300MW greenfield independent power plant. IK Holdings' tender is the only gas-fuelled solution that has been prequalified by the MMEWR.

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Environmental Impact Statement

In 2014 the Company commenced work on its application for an Environmental Impact Statement ('EIS'). This addresses the social and environmental context of the area surrounding the planned wellfield development project at Lesedi and CBM exploration activities in Tlou's Mamba and Lesedi areas.

The Department of Environmental Affairs confirmed during the quarter that the EIS has been approved and adequately identified and assessed anticipated impacts associated with the proposed activity.

This is another significant development highlighting Tlou's status as the most advanced CBM project in the country. Any new entrants to the market would be expected to acquire an approved EIS prior to commencing field exploration, let alone development.

An approved EIS is also essential prior to the application for a Mining Licence in Botswana. The approved EIS allows for both further exploration work to be conducted on Tlou's remaining prospecting licences and commencement of field development work on the Lesedi Project area. The EIS approval highlights the progress being made by the Company as it transitions from exploration and appraisal towards development.

Mamba Project Area, Botswana

PLs 237-241/2014

Tlou Energy Limited 100%

The Mamba project consists of five CBM permits in Botswana covering an area of approximately 4,500km². 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 Mamba area provides the Company with considerable flexibility and optionality.

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Placement

During the quarter Tlou completed a placement to investors in Australia and the United Kingdom raising gross proceeds of A\$3 million, with the Company fully funded to proceed with its currently planned activities. The proceeds of the Placement will be applied to various items including further production testing at Selemo, reserve certification, completing mining licence approvals, and working capital.

New Ventures

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

Tlou– Key Statistics (as at 30 September 2016)

- ASX Code – TOU
- AIM Code – TLOU
- Shares on issue ~ 237 million
- Fully diluted ~ 239 million
- Cash balance ~ \$3.3 million (AUD)
- Debt – Nil
- Primary Focus is the Lesedi CBM Project in Botswana

Gabaake Gabaake

Executive Director

Tlou Energy Limited

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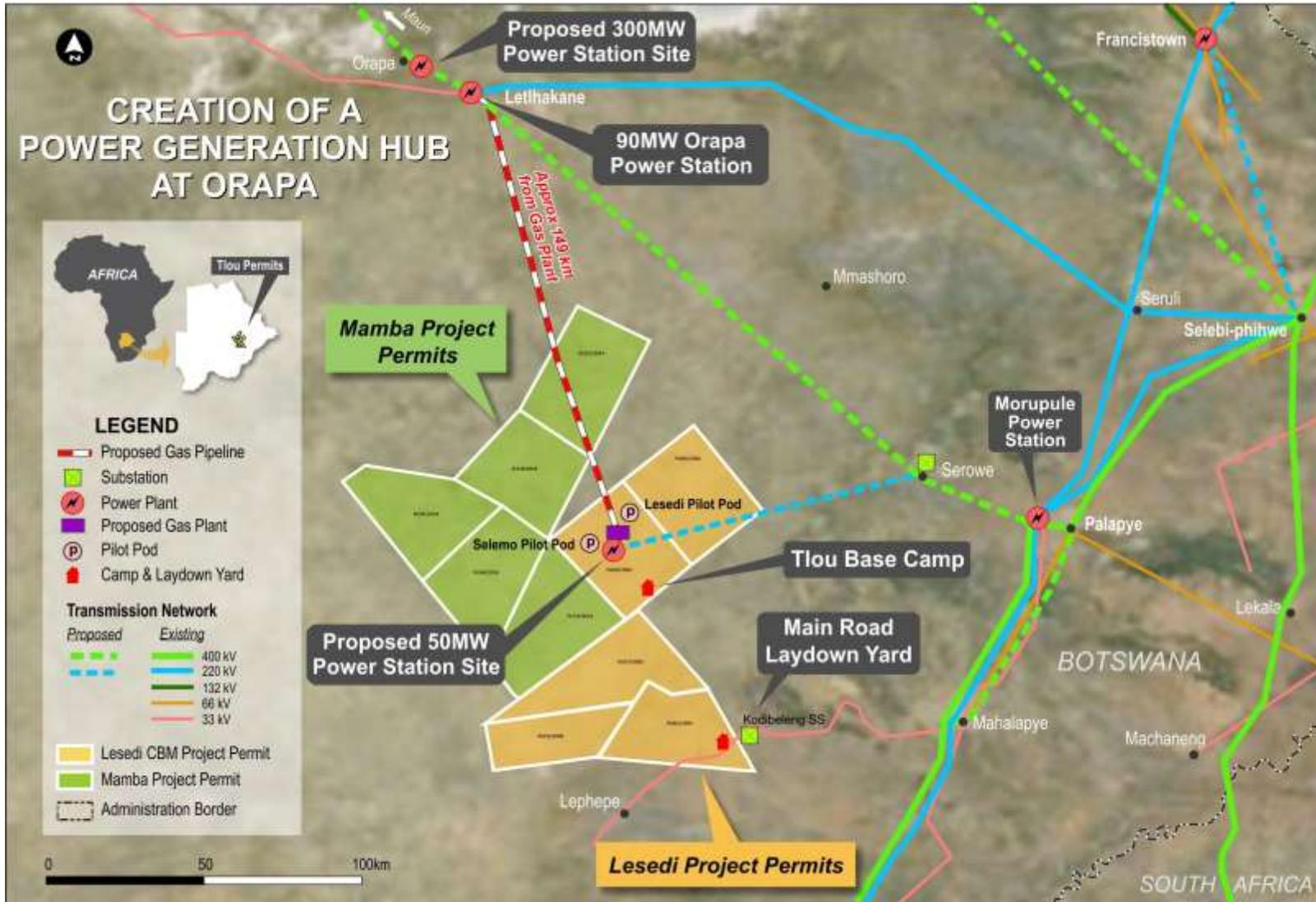
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LESEDI CBM PROJECT PERMITS AND SURROUNDING POWER INFRASTRUCTURE



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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 an immediate and longer term opportunity using domestic gas to produce power at lower costs than the current arrangements.

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 pursuit of its goal to become a significant gas to power producer and the Company has the most advanced CBM project in Botswana. It holds 10 prospecting licences covering an area of ~8,300Km² and the Lesedi project already benefits from significant, independently certified contingent gas resources of ~3.3 trillion cubic feet (TCF) (3C) as well as an initial independent gas reserve certification.

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.