

TLOU ENERGY LIMITED**31 January 2017**

Tlou Energy Limited**("Tlou" or "the Company")****OPERATIONAL REPORT - QUARTER ENDING 31 DECEMBER 2016**

Tlou, the AIM and ASX listed company focused on delivering power in Botswana and southern Africa through the development of coal bed methane ('CBM'), is pleased to provide its operational report in respect to its Lesedi Project in Botswana for the quarter ended 31 December 2016.

Highlights

- Significant commercial milestones reached towards delivery of a CBM power project in Botswana:
 - Became the first company in Botswana to achieve independently certified CBM gas reserves
 - Received a detailed Request for Proposal from the Government of Botswana to develop up to 100MW of CBM power in Botswana on a staged basis post period end
 - Extension of Cooperation Agreement with General Electric International Inc. and IK Holdings Pty Ltd - provides framework for co-operation in relation to sharing infrastructure and support for the project's delivery
 - Engaged a specialist African based firm to provide recommendations for the design and installation of the transmission lines to connect to the local power grid
- Commencement of work with SRK to deliver future exploration work programs

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Lesedi CBM Project Area, Botswana

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

Tlou Energy Limited 100%

The Lesedi project consists of five CBM prospecting licences in Botswana covering an area of approximately 3,800km². These licences are currently the focal point for the Company's operations, in particular PL 002/2004, where a substantial amount of exploration and evaluation has been conducted over recent years. Two of the licences were renewed for a further two years at the beginning of the quarter, with a renewal application submitted for the other three licences in December 2016.

Prospecting Licence	Expiry	Status
PL 001/2004	March 2017	Renewal application submitted - December 2016
PL 002/2004	March 2017	Renewal application submitted - December 2016
PL 003/2004	March 2017	Renewal application submitted - December 2016
PL 035/2000	September 2018	2 Year renewal received - October 2016
PL 037/2000	September 2018	2 Year renewal received - October 2016

Reserve Certification

Tlou Energy Limited became the first company in Botswana to achieve independently certified CBM gas reserves during the quarter, following certification from SRK Consulting (Australasia) Pty Ltd ("SRK") for the Lesedi CBM Project ("Lesedi") located in prospecting licence PL 002/2004 in Botswana.

The Company is focused on delivering power in Botswana and southern Africa through the development of CBM projects. Lesedi is the most advanced CBM project in Botswana and includes the gas producing Selemo production wells.

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 some months with the data obtained from the production testing program at Selemo used by SRK in the reserve certification process.

Initial reserve certification is a major milestone and demonstrates the commerciality of the Lesedi CBM Project. The Company aims to continue to upgrade these reserves as further production data from Lesedi is collected.

In accordance with the Society of Petroleum Engineers ("SPE") 2007 Petroleum Resource Management System ("PRMS") Guidelines as well as the 2011 Guidelines for Application of the

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PRMS approved by the SPE, SRK have attributed Gas Reserves to Tlou's 100% interest in Lesedi using the deterministic method of petroleum reserves estimation as at 26 September 2016 as set out in Table 1 below (in billion cubic feet (BCF)). The below information should be read in conjunction with the Company's detailed announcement dated 12 October 2016.

Table 1: Lesedi Independent Gas Reserves Certification (Lower Morupule seam only) and Contingent Gas Resources Certification (all coal seams) - BCF

Tlou Interest (100%) Category	Gas Reserves (BCF) ¹			Contingent Gas Resources (BCF) ²		
	1P	2P	3P	1C	2C	3C
26 September 2016 certification by SRK	0.1	2.7	52.9	4.8	236	3,243
31 March 2015 certification by SRK	-	-	-	4.9	239	3,296
<i>Increase/(decrease)</i>	<i>0.1</i>	<i>2.7</i>	<i>52.9</i>	<i>(0.1)</i>	<i>(3)</i>	<i>(53)</i>

The change in Contingent Gas Resources is due to their partial conversion to Reserves and pilot gas production. SRK have also reported the Gas Reserves in Petajoules (PJ), as shown in Table 2 below.

Table 2: Lesedi Independent Gas Reserves Certification (Lower Morupule seam only) – BCF and PJ

Tlou Interest (100%) Category	Gas Reserves (BCF) ¹			Gas Reserves (PJ) ^{1,3}		
	1P ²	2P	3P	1P	2P	3P
26 September 2016 certification by SRK	0.1	2.7	52.9	0.1	2.1	42.2

Notes to Tables 1 and 2 above:

Gas Reserve numbers have been rounded to the nearest tenth. Gas Resource numbers have been rounded to the nearest tenth for amounts less than 100 BCF, otherwise to the nearest whole number. Refer to Competent Persons Statement in Appendix 2 of the Company's announcement on 12 October 2016.

1) Tlou's Gas Reserves have not been adjusted for fuel or shrinkage and have been calculated at the wellhead (which is the reference point for the purposes of Listing Rule 5.26.5) for the Lower Morupule seam only.

2) Contingent Gas Resources are (100%) Unrisked Gross and are derived from the SRK certification at 31 March 2015 for all coal seams (as previously announced by Tlou on 9 April 2015) with adjustment by Tlou for the gas volumes which have now been certified by SRK in the Gas Reserves category for the Lower Morupule seam.

3) The energy content of the gas was determined by SRK as 0.8 PJ per BCF for the Lower Morupule coal seam based on corehole gas composition in the Selemo pilot area.

SRK has consented to the information in this announcement being released.

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Regional geological data and further field exploration

Tlou has an extensive geological database across much of its licence area particularly over the Lesedi project. As the Company progresses towards field development and further exploration, a key task is to assess the most prospective areas to base future projects. During the quarter, the Company engaged SRK to assist with this process due to their expertise in this area along with their in-depth knowledge of the project, having been involved in the booking of initial gas reserves as well as contingent resources prior to that.

Included in the scope of work is a review of the Company's geological model to make recommendations in relation to future work programs. This will incorporate potential field, seismic and drilling data, developing optimum production layouts including updating well performance simulation and defining further reserve certification work programs. The Company is considering expansion of its exploration work in the field at both the Lesedi and Mamba project areas held by the Company.

Gas to power project

As previously announced, Tlou has been approved by the Government of Botswana to develop a Gas to power project. Post quarter end the company announced that it received a detailed Request for Proposal ("RFP") from the Government of Botswana to develop up to 100MW of CBM power in Botswana. The gas to power project is planned to be delivered on a staged basis and can be divided into two distinct parts, upstream, and downstream development, with excellent progress being made in each of these areas.

For the upstream, this includes working with specialist engineers on the gas field development plan aimed at:

- developing the gas field to supply the initial 10MW phase of the project;
- determine capital, operating and maintenance costs; and
- providing a project execution plan to ensure the Company's objectives for the project can be achieved in the desired timeframes.

This downstream process comprises two parts, being the power generation units and transmission lines.

The planning, design, and development of the power generation units is well underway and the Company is being assisted by our co-operation partner GE, a world-leader in the design, construction, operation, and maintenance of power generation facilities. Further information on this co-operation agreement can be found below.

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The Company has also engaged a specialist African based firm to provide recommendations for the design and installation of the transmission lines to connect to the local power grid in Botswana, including:

- determining the lowest cost and most effective integration point in the local grid for up to 100MW of power generation located at the Company's Lesedi project starting with an initial 10MW project within two years and ramping up thereafter;
- determining the most feasible route and cost of a transmission line for a 10MW, 50MW and 100MW project; and
- Assessing upgrades required in the BPC network at the integration point, if any, and the related costs.

Co-operation Agreement

Tlou extended a Co-operation Agreement during the quarter 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. This agreement has been extended until 28 February 2017. The Agreement provides the framework for co-operation between the parties in relation to sharing 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.

Various other parties have also expressed their interest in collaborating with Tlou for the initial gas to power project.

Mamba Project Area, Botswana

PLs 237-241/2014

Tlou Energy Limited 100%

The Mamba project consists of five CBM prospecting licences in Botswana covering an area of approximately 4,500km². The Mamba area is considered to be highly prospective being situated adjacent to Tlou's Lesedi CBM Project and are on-trend with the encouraging results observed to date. Part of the work being conducted by SRK will focus on the Mamba permits. 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.

Licence	Expiry	Status
PL 237/2014	June 2017	Current
PL 238/2014	June 2017	Current
PL 239/2014	June 2017	Current
PL 240/2014	June 2017	Current

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PL 241/2014	June 2017	Current
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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 31 December 2016)

- ASX Code – TOU
- AIM Code – TLOU
- Shares on issue ~ 237 million
- Fully diluted ~ 239 million
- Cash balance ~ \$2.4 million (AUD)
- Debt – Nil
- Primary Focus is the Lesedi CBM Project in Botswana

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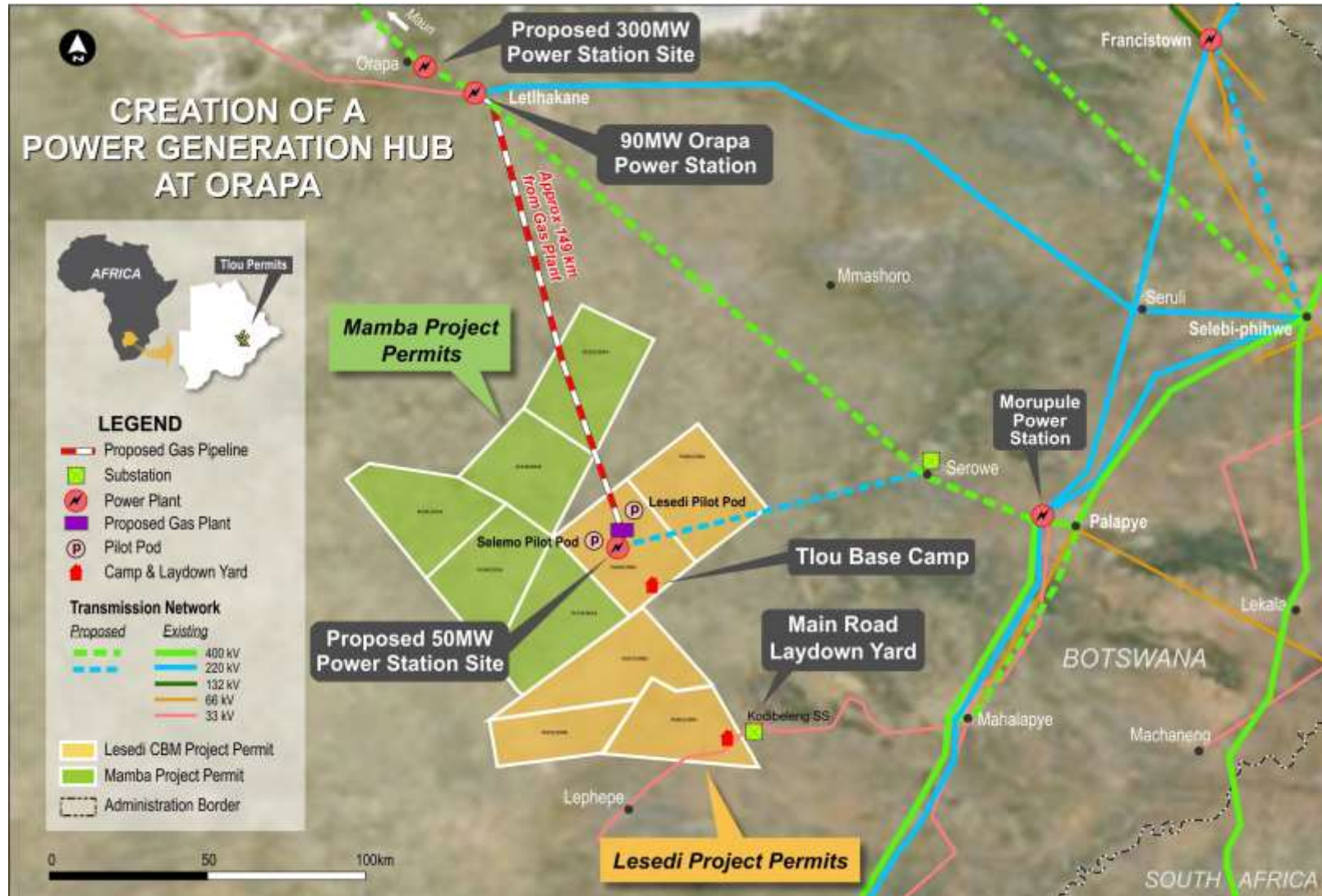
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LESEDI CBM PROJECT PERMITS AND SURROUNDING POWER INFRASTRUCTURE



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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, 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 ~3.2 trillion cubic feet (3C). In October 2016, the Company booked its maiden independently certified gas reserves, thereby becoming the first company in Botswana to do so.

The Company is planning an initial scalable gas-to-power project in Botswana. Following successful implementation of this first scalable project, the Company plans to expand in order to provide further power to Botswana and the southern African region.