

**TLOU ENERGY LIMITED****28 April 2017**

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**Tlou Energy Limited****("Tlou" or "the Company")****OPERATIONAL REPORT - QUARTER ENDING 31 MARCH 2017**

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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 March 2017.

**Highlights**

- Received a detailed Request for Proposal from the Government of Botswana to develop up to 100MW of CBM power in Botswana
- Tlou achieved a significant increase in Gas Reserves
  - 44% increase in 2P (Proved and Probable) Gas Reserves to 3.9 billion cubic feet ('BCF')
  - 390% increase in 3P (Proved, Probable and Possible) Gas Reserves to 261 BCF
  - The increases comprise:
    - additional certified Reserves in the Lesedi Project area; and
    - initial certified Reserves in the Mamba Project area
- Project development partner announced
  - 100MW project plan being progressed
  - Gas to be supplied from Tlou's 100% owned Lesedi Project Area
- Tlou fully funded to undertake additional field appraisal to expand independent Gas Reserves, complete Feasibility Study and to finalise licencing requirements prior to development of the Lesedi CBM Project

**TLOU ENERGY LIMITED PROJECTS**

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

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

Tlou Energy Limited 100%

The Lesedi project consists of five CBM prospecting licences in Botswana covering an area of approximately 3,800km<sup>2</sup>. These licences are currently the focal point for the Company's operations and include the Selemo pilot project where the company has been producing gas for approximately 12 months.

Renewal applications for three key prospecting licences (PL 001, 002, 003/2004) were submitted to Botswana's Ministry of Minerals, Energy and Water Resources ("MMEWR") in December 2016. MMEWR confirmed during the quarter that these licences have been renewed for a further two-year term to 31 March 2019. The area covered by these licences is of significant importance to Tlou and subject to results of the ongoing field operations, the Company aims to convert part of these prospecting licence areas to a Mining Licence during the term of the current renewal period. A Mining Licence is required prior to the commencement of full field development.

The status of all five Lesedi Area Prospecting Licences is as follows:

Prospecting Licence	Expiry	Status
PL 001/2004	March 2019	Current
PL 002/2004	March 2019	Current
PL 003/2004	March 2019	Current
PL 035/2000	September 2018	Current
PL 037/2000	September 2018	Current

**Request for Proposal for CBM Power Project**

The Company received a detailed Request for Proposal ("RFP") from the Ministry of Mineral Resources, Green Technology and Energy Security ("the Ministry"). Tlou is one of two companies selected to bid for the development of up to 100MW of power using CBM in Botswana as an Independent Power Producer. The closing date for this tender is Q3 2017. The RFP requires details of the proposed field development, the installation of power generation facilities and supply of power into the grid in Botswana.

Following receipt of the RFP the Company, in conjunction with its project partner IPC (outlined further below), has commenced work on the required submission to the Ministry. The submission is effectively made up of two parts being the gas field development, led by the Tlou team, and the power generation being led by IPC.

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Tlou, IPC and their funding partners visited Botswana and met with various parties including the government to progress the RFP process. The Company has since submitted initial responses to the Ministry for further clarification and are awaiting a response. Following clarification, the Feasibility Study for both the field development and power generation can be finalised.

The current proposal is to submit a response to the RFP that involves a scalable CBM-to-Power project. A scalable approach, with power connected to the grid in phases would allow power to get to the grid sooner, thereby generating revenue for the Company and would require less capital expenditure upfront. IPC has considerable experience working with General Electric (“GE”) equipment from previous projects, and have provided details of suitable GE equipment that could be used for an initial and later stage of a scaled proposal.

SRK Consulting (Australasia) Pty Ltd (“SRK”), an independent, international group providing specialised consultancy services, with expertise in extractive industries, provided upgraded reserves certification and reinterpretation of aeromagnetic data during the period resulting in the high-grading of areas for project development at Lesedi. These areas are planned to be the initial development areas and have been incorporated into the field development plan. The final field plan will be determined following the response from the Ministry as mentioned above.

Post quarter end the Company received a transmission line study from an independent consultancy firm that outlined different routes for connection of the Lesedi field to the power grid. Tlou has chosen its preferred route and this will be submitted to the relevant department for assessment as part of the RFP process. Due to the sensitivities around the RFP process, the Company is unable to provide details of the route, distance, or capacity of the proposed lines. Following submission and agreement on the proposed routes, the Company will immediately progress the required transmission line environment assessments.

### **Reserves Upgrade**

Tlou announced a significant upgrade of Reserves for the Lesedi CBM Project and initial Reserves for the Mamba Project in Botswana. This latest Reserves assessment has been independently certified by Dr Bruce McConachie of SRK.

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 PRMS approved by the SPE, SRK has attributed Gas Reserves to Tlou’s 100% interest in the Lesedi and Mamba Project permits using the deterministic method of petroleum Reserves estimation as at 1 January 2017.

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The table below, in billion cubic feet (BCF) and petajoules (PJ), summarises the Company's Reserves position for Lesedi and Mamba as at 1 January 2017.

**Table 1: Lesedi and Mamba Independent Gas Reserves Certification (Lower Morupule seam only)**

Tlou Interest (100%)	Gas Reserves (BCF) <sup>1</sup>			Gas Reserves (PJ) <sup>2</sup>		
Category	1P	2P	3P	1P	2P	3P
<b>01 January 2017 certification by SRK</b>	0.17	3.9	261.1	0.14	3.2	242.7

**Notes to Tables 1 above:**

- 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 ASX Listing Rule 5.26.5) for the Lower Morupule seam only.
- 2) The energy content of the gas was determined by SRK at different quantities for the Lower Morupule coal seam based on corehole gas composition in the individual areas where Reserves were certified.

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

Additional information in relation to the Gas Reserve estimates for PL002/2004 (Lesedi CBM Project) and PL's 238/2014 and 240/2014 (Mamba CBM Project), required to be disclosed pursuant to Chapter 5 of the ASX Listing Rules, is set out in Appendix 1 of the Company's ASX announcement dated 15 February 2017.

The Lesedi Reserves Statement received from SRK represents an updated independent certification that is based on SRK's review of regional data surrounding the Selemo pilot area to the south and, consistent with the prior Reserves assessment (announced to the market on 12 October 2016), relates only to the Lower Morupule coal seam.

The Mamba Reserves Statement received from SRK represents an initial independent certification that is based on SRK's review of regional data to the west of the Selemo pilot area and relates only to the Lower Morupule coal seam. In both cases, the Reserves estimates in these southern and western extension areas were based on the high level of stratigraphic continuity of the Lower Morupule coal seam and data about the reservoir and gas quality from prior corehole and seismic data.

A current Gas Reserve and Resource statement for all of Tlou's tenements as at 1 January 2017 is shown in Table 2 below, in accordance with ASX Listing Rule 5.25.3. It should be noted that the Reserves assessment by SRK did not include a review and assessment of Contingent Resources in the Mamba Project area.

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**Table 2: Tlou Net Gas Reserves and Resources for all tenements and seams – BCF**

Tlou 100% interest									
Location	Project	Tlou Interest	Gas Reserves (BCF) <sup>1</sup>			Gas Contingent Resource (BCF) <sup>2</sup>			Gas Prospective Resource (BCF) <sup>3</sup>
			1P	2P	3P	1C	2C	3C	
Karoo Basin Botswana	Lesedi CBM (Lower Morupule coal) (PL002/2004)	100%	0.15	3.5	117	4.3	67.4	470	-
Karoo Basin Botswana	Lesedi CBM (all coal seams) (PL001/2004, PL002/2004) <sup>4</sup>	100%	0.15	3.5	117	4.3	235	3,183	-
Karoo Basin Botswana	Mamba CBM (Lower Morupule coal) (PL238/2014 PL240/2014)	100%	0.02	0.4	144	n/a <sup>5</sup>	n/a <sup>5</sup>	n/a <sup>5</sup>	-
Karoo Basin Botswana	PL003/2004, PL035/2000, PL037/2000	100%	-	-	-	-	-	-	8,596 <sup>6</sup>

**Notes to Table 2 above:**

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 the Company's ASX announcement dated 15 February 2017.

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).

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 for the gas volumes which have now been certified by SRK in the Gas Reserves category.

3) ASX Listing Rule 5.28.2 Statement relating to Prospective Resources:

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*The estimated quantities of petroleum gas that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.*

*4) The Gas Reserves and Contingent Gas Resources for all coal seams in PL001/2004 and PL002/2004 shown in the second row of Table 2 includes the numbers for the Lower Morupule coal seam which are shown in the first row of Table 2.*

*5) The current Reserves assessment by SRK which is the subject of this announcement did not include a review and assessment of Contingent Resources in the Mamba Project area.*

*6) Prospective Gas Resources are (100%) Unrisked Gross and are derived from a report to Tlou from Netherland, Sewell and Associates Inc (NSAI) dated 16th February 2012 regarding certification for all coal seams located in the remaining prospecting licences (as previously announced by Tlou in its prospectus dated 20 February 2013).*

### **Project Partner**

In February 2017, Tlou signed a Heads of Agreement (“Agreement”) with IPC to jointly develop Tlou’s proposed (up to) 100 MW CBM to power project (“IPP Project”).

IPC develops and operates power plants for governments, large corporations and independent power producers. IPC has two decades of experience in the development, operation and ownership of power plants in Southern Africa, South America, the Middle East, Europe and Central Asia with roughly 4,000 MW operated, developed or owned. IPC’s experience includes thermal and hydropower generation. IPC’s head office is located in London. For more information visit [www.indpow.co.uk](http://www.indpow.co.uk).

Below is a summary of the key benefits of this Agreement to the Company:

- IPC is an experienced power station developer and will work with Tlou on the RFP tender submission to the Botswana Government;
- IPC will fund 50% of external costs required to prepare the feasibility and RFP tender (capped at US\$200,000);
- Tlou and IPC will jointly submit the RFP tender as co-sponsors of the IPP Project (this relationship is not related to the ultimate IPP Project ownership);
- IPC has introduced funding partners who have provided letters of interest for in-principle funding support for the downstream infrastructure requirements of the IPP Project;
- In effect, IPC and its funding partners plan to facilitate the building and funding of the necessary power generation and network access assets, enabling Tlou to commercialise its vast gas resources;

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- Following execution of all necessary IPP contracts, IPC will project manage the installation of the downstream components of the project, and may operate these assets for a period of time prior to handover to the assets owners. IPC will be remunerated for these services under contract (to be agreed) by the asset owners;
- Tlou retains 100% of the Lesedi CBM Project, including current and future gas Reserves;
- Tlou plans to develop the gas field once appropriate offtake agreements are in place; and
- Tlou also has retained the right to be a meaningful equity participant (up to 50%) in the power generation assets.

Tlou believes the agreement with IPC is a major step forward in commercialising its gas resources with highly experienced power developers, funding groups and equipment suppliers.

Post quarter end, IPC announced that it has entered into a joint venture partnership, QG Power Africa, with QG Africa Mezzanine LP, a USD250 million investment vehicle which is part of the Quantum Global Group, and Tomé International Limited, project management consulting firm, to jointly develop power assets in sub-Saharan Africa. This has potential positive implications for the future funding of the proposed (up to) 100MW CBM-to-power project which is being jointly developed by IPC and Tlou which will be situated at Tlou's 100% owned Lesedi CBM Project in Botswana. QG Power Africa plan to develop power assets across sub-Saharan Africa with Botswana outlined as part of the first phase of development and investment, where Tlou's project would be a potential investment opportunity for QG Power Africa

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### Conversion of field generation from diesel to gas

Power required to run pumps and metering at the Selemo wells is currently supplied by diesel generators. The Company's operations team is planning to replace these with gas fired generators, which can then run on the gas being produced from Tlou's wells. Once implemented, this will be a significant milestone and in effect be proof of concept or 'first gas monetisation' by providing a cost saving to the Company with a reduced diesel requirement. During the quarter, the required Gas generation equipment arrived on site and is currently being tested prior to implementation.

### 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 4,500km<sup>2</sup>. The Mamba area is considered to be highly prospective being situated adjacent to Tlou's Lesedi CBM Project and being on-trend with the encouraging results observed to date.

During the quarter SRK conducted a reinterpretation of existing aeromagnetic data that covers part of the Mamba area. Following this work and along with existing well data, the first CBM reserves were booked in the Mamba area (refer to Table 2 above). In the event of a gas field development by Tlou, the Mamba area provides the Company with considerable flexibility and optionality.

Renewal applications were submitted for all five Licence area during the quarter

Licence	Expiry	Status
PL 237/2014	June 2017	Renewal Application submitted – March 2017
PL 238/2014	June 2017	Renewal Application submitted – March 2017
PL 239/2014	June 2017	Renewal Application submitted – March 2017
PL 240/2014	June 2017	Renewal Application submitted – March 2017
PL 241/2014	June 2017	Renewal Application submitted – March 2017

### Corporate

Prior to the end of the quarter, Tlou announced a Placement of 51,788,334 new ordinary shares at an issue price of A\$0.10 or £0.06 per share, raising approximately A\$5.2 million (the "Initial Placement"). Tlou has subsequently announced that it has raised an additional A\$1.5 million from a Share Purchase Plan and additional placement at the same pricing as the Initial Placement.

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### 2017/18 Work Program

The proceeds of the above mentioned capital raisings total A\$6.7 million and along with existing cash, will be applied by Tlou for the following:

- acquisition and interpretation of new 2D seismic data in areas considered to be highly prospective for additional Reserves by Tlou's reserve certifiers;
- drilling a limited number of vertical (cored) wells along the new seismic lines (with geophysical logging and coal core gas sampling) to a depth of approximately 500 metres;
- completing various studies required for the submission of the mining licence application and tender for the Botswana Government's 100 MW CBM pilot project, including the project Feasibility Study;
- on-going production testing at Selemo, including installing gas engines to run the pumps on the existing wells;
- costs of the various capital raisings noted above; and
- working capital for its Lesedi CBM Project and corporate costs.

The objective of the work program outlined above is to expand the Company's independently certified gas Reserves and complete the licencing requirements for the Lesedi CBM Project, as well as continuing to progress the RFP with IPC, for the proposed up to 100 MW CBM to power project utilising the Company's gas reserves.

### 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.

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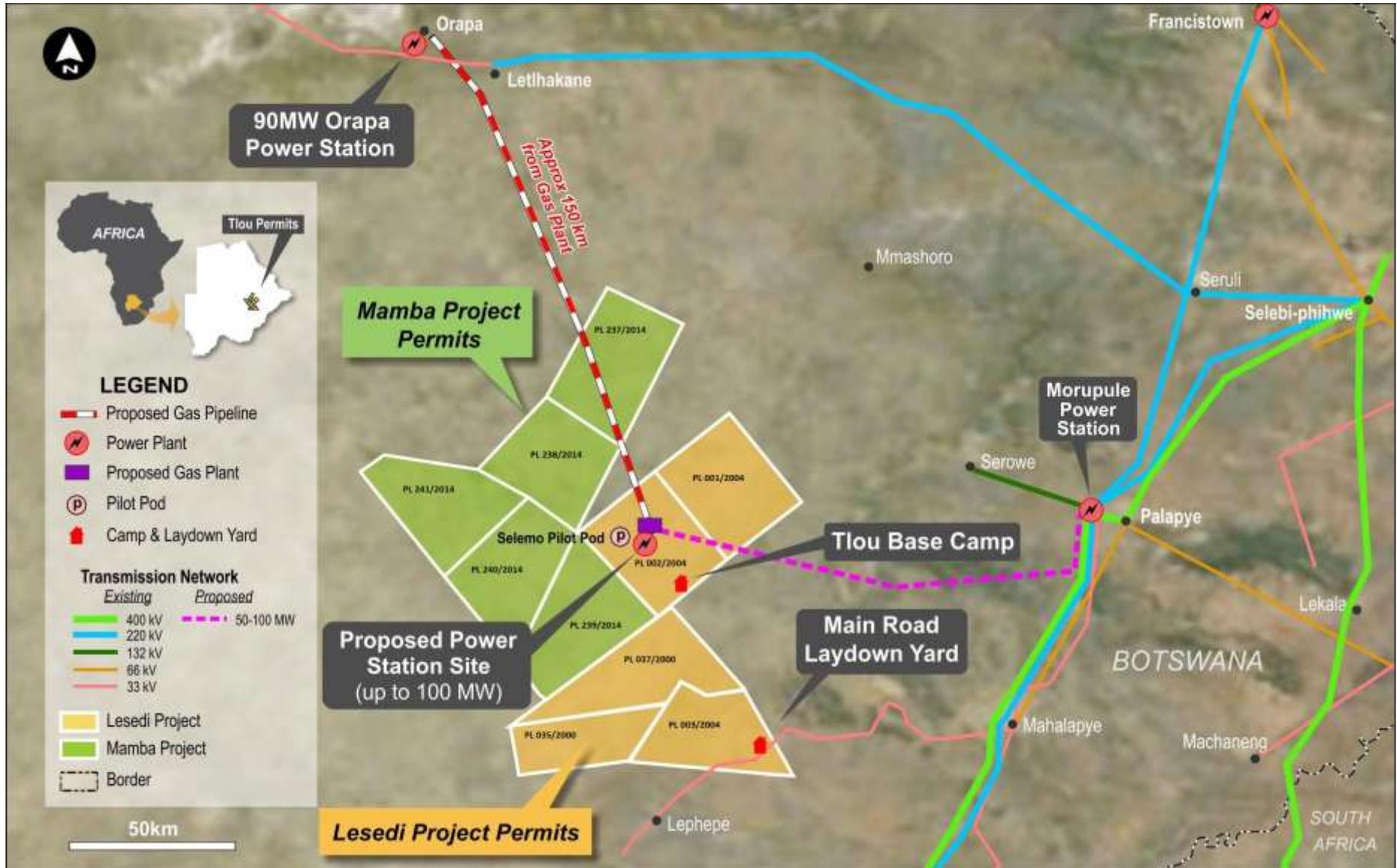
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**TLOU ENERGY LIMITED**



**LESEDI CBM PROJECT PERMITS AND SURROUNDING POWER INFRASTRUCTURE**



## **TLOU ENERGY LIMITED**



### **Company Information**

Tlou Energy is an AIM and ASX listed company focused on delivering power in Botswana through the development of clean gas from 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 Coal Bed Methane (“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 ~8,300Km<sup>2</sup> and the Lesedi Project already benefits from significant, independently certified Contingent Gas Resources of ~3.2 trillion cubic feet (3C) and independently certified Gas Reserves.

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 to provide further power to Botswana and the southern African region.