Tlou Energy Limited
(“Tlou” or "the Company")

Recommencement of Drilling and Operational Update

Tlou Energy Limited, the ASX, AIM and BSE listed company focused on developing gas-to-power projects in southern Africa using coal bed methane (“CBM”) natural gas from its gas field in Botswana, is pleased to announce that the Company’s operational team has recommenced Production Pod drilling at its advanced stage Lesedi CBM project.

Key Points:
- Drilling of lateral wells at the Lesedi CBM project has recommenced. Specialist directional drilling crew and other key personnel are now on site;
- Following drilling of the lateral wells, the Lesedi 3 and Lesedi 4 production pods will be completed prior to the installation of surface production facilities. Dewatering and production testing can then begin. Successfully flowing gas at Lesedi 3 & 4 has the potential to upgrade Reserves;
- A comprehensive tender was recently submitted as a response to a Request for Proposal (RFP) for supply of CBM gas-to-power to the Government of Botswana. Discussions with other potential off-takers as well as development finance providers is in progress;
- An Environmental Impact Assessment (EIA) for the power generation facility as well as the transmission lines to connect to the electricity grid has also now been submitted.

Drilling operations update
The Company is pleased to announce that following the successful drilling of the vertical wells and the top-hole sections for the new production pods at the Lesedi CBM Project, operations have now recommenced to drill the lateral well sections for the first two Production Pods (Lesedi 3 & 4).

Following the completion of lateral wells (Lesedi 3A & 3B and Lesedi 4A & 4B), the production pods will be completed using a separate workover rig ahead of installation of surface production facilities including water evaporation ponds.

All of the production pods are being drilled in the same area as has been proposed for the initial project development and are aimed at confirming the gas flows in this area as well as ensuring production readiness prior to commencement of development operations. Dewatering and production testing activities will begin immediately following the completion of the production pods and the Company expects to provide regular updates on production testing progress.
Lesedi Project Gas Reserves and Contingent Resources
The Tlou Energy Lesedi CBM Project currently has sufficient gas Reserves for an initial development of 10MW based on 2P gas Reserves of ~41 billion cubic feet (BCF). In addition, 3P gas Reserves of ~427 BCF and Contingent Gas Resources of ~3,044 BCF provide significant additional potential. The Company estimates that a 10MW project over 25 years would require gas Reserves of approximately 28 BCF and that a 100MW project for 25 years would require approximately 274 BCF. As further data becomes available during the production testing process, it is expected that there may be scope for a further upgrade of gas Reserves within the Lesedi Project area.

Response to Government 100MW RFP Tender
On 14 October 2018, Tlou Energy submitted a comprehensive response to the Government of Botswana’s Request for Proposal (RFP) for the supply of up to 100MW of CBM generated power. The Company is awaiting a response from the Government. Whilst the tender evaluation process is ongoing, the Company has entered into discussions with other potential off-takers of gas and power as well as potential financiers of the downstream development. The latter being subject to securing an appropriate Power Purchase Agreement (PPA).

Environmental Impact Assessment
An Environmental Impact Assessment (EIA) for the downstream development of the power generation facility and transmission lines was submitted late last year. This was a comprehensive report that required extensive consultation with all stakeholders. Timely approval of the EIA will facilitate the implementation of the downstream power generation aspect of the project.

Tlou Managing Director Tony Gilby said:
“Thus far, drilling operations at the Lesedi CBM Project have been progressing according to plan. Following the Christmas break, our field team have re-mobilised and have now recommenced drilling activity to complete the production pods at Lesedi from which we intend to produce gas to potentially supply the initial stages of our proposed CBM gas-to-power project. We look forward to providing investors with further updates in relation to operational progress specifically, the successful completion of the production pods and commencement of production testing activities.

In October 2018 Tlou submitted a comprehensive tender to the Government of Botswana’s Request for Proposal for the supply of CBM generated power to the Botswana grid. While we await a response to our tender, we are pushing forward with a number of workstreams including the drilling of our gas production wells, the lodgment of the downstream Environmental Impact Assessment, evaluating membership of the Southern African Power Pool, negotiations for a power generation license and discussions to secure development finance upon acquiring an appropriate PPA.
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Tlou Energy has the most advanced CBM gas to power project in southern Africa (as defined by being the only CBM company in Botswana to have independently certified gas Reserves and a Mining License for production amongst other things). Our gas Reserves are large enough to supply significant amounts of clean power to Botswana for many years. As the project further de-risks, we expect to provide significant upside for investors as the project moves into development and generates first revenue. Furthermore, the advantages of successful implementation of our project for Botswana are enormous. The development of a new gas industry would significantly improve energy security as well as providing vital direct and indirect employment opportunities.

A great deal of work has been undertaken to prove-up Tlou’s significant gas Reserves to date. The Company looks forward to making additional progress this year towards becoming a power provider in southern Africa.”

Background to the drilling program

Tlou Energy Limited is drilling gas production wells at the Lesedi CBM Project (‘Lesedi’) in Botswana. This program is being conducted in accordance with an approved Environmental Impact Statement (EIS) and is located in the Company’s Mining Licence project area. As far as the Company is aware this is the only approved Mining Licence and EIS for CBM in Botswana.

If successful, the production wells currently being drilled will form part of the Company’s initial gas-to-power project which will include installation of transmission lines and grid connection. The wells are located in close proximity to the Company’s proposed central processing and power generation facility.

They wells are being drilled as ‘dual lateral pods’, comprising a single vertical production well, intersected by two lateral (or horizontal) wells. The lateral wells will be drilled through the gassy coal seam, with gas extracted from this coal, produced through the vertical production well where it can be gathered and used for power generation. Up to three pods are planned. Pod one is designated ‘Lesedi 3’ and comprises a vertical production well (‘Lesedi 3P’) and two lateral wells (‘Lesedi 3A’ & ‘Lesedi 3B’). Pod two is designated ‘Lesedi 4’ and pod three is designated ‘Lesedi 5’.

Once all six wells for Lesedi 3 and Lesedi 4 have been drilled, these pods will be completed using a separate workover rig and surface production facilities will be installed. A decision will be made on progressing Lesedi 5 after the Lesedi 3 and 4 results have been fully evaluated.

Following installation of surface production facilities, the completed wells will then begin production testing to de-water and lower the pressure in the coal seam to achieve potential gas flow.
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**Company Information**

Tlou Energy is focused on delivering Gas-to-Power solutions in Botswana and southern Africa to alleviate some of the chronic power shortage in the region. Tlou is developing projects using coal bed methane ("CBM") natural gas. Botswana has a significant energy shortage and generally relies on expensive imported power and diesel generation to fulfil its power requirements. As 100% owner of the most advanced gas project in the country, the Lesedi CBM Project, Tlou Energy provides investors with access to a compelling opportunity using domestic gas to produce power and displace expensive diesel and imported power.

The Company is listed on the Australian Securities Exchange, London’s AIM market and the Botswana Stock Exchange and is led by an experienced Board, management and advisory team including individuals with successful track records in the CBM industry.

Since establishment, the Company has significantly de-risked the project in consideration of its goal to become a significant gas-to-power producer. The Company flared its first gas in 2014, has a 100% interest in a Mining Licence and nine Prospecting Licences, covering an area of ~8,300Km² in total. The Lesedi and Mamba Projects already benefit from significant independently certified 2P gas Reserves of ~41 BCF. In addition, 3P gas Reserves of ~427 BCF and Contingent Gas Resources of ~3,044 BCF provide significant additional potential.

The Company is planning an initial scalable gas-to-power project. Following successful implementation of this first scalable project, the Company looks forward to evaluating longer-term prospects for the delivery of electricity generated from CBM in Botswana to neighbouring countries.
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