

TLOU ENERGY LIMITED**25 February 2016**

Operations Update**Key points:**

- Long term gas testing is underway with the two new wells either side of Selemo 1 successfully shielding water from the central and main producing well
- Initial results at Selemo 1 are very encouraging having achieved extended periods of consistent gas flow in line with management expectations and sustained flows anticipated imminently
- Incremental pressure drops are being carried out with changes in lateral wellhead pressure suggesting gas production rates will continue to increase
- The data will be incorporated into field development plans, as part of on-going off-take agreement negotiations and towards the first independent gas reserve certification in Botswana

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

Gas Production Testing Commences

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 announce the commencement of gas production testing from the Selemo 1 pilot well, located at its 100% owned Lesedi CBM Project ('Lesedi' or 'the Project'). 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.

Tlou Acting Managing Director Gabaake Gabaake said, "We are pleased to report that initial gas flows are very encouraging and mark an important step towards our goal to demonstrate sustained gas production from Lesedi. We expect to announce a series of updates in the coming weeks which will provide the key data required to book independently certified reserves, thereby de-risking the project further. Moreover, this data will provide further confidence to strategic off-takers whom we are currently in advanced discussions with regard to gas supplies.

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“To date, exploration and development has been focused on a specific area of Lesedi, being the Selemo pilot. However, the data we gain from sustained gas flows at Selemo will be valuable as we model the broader area in line with our vision to become a significant provider of energy in the region.

“Demand for domestic power remains high and as the most advanced gas project of its kind in the country, we are well placed to capitalise on this demand. I look forward to providing regular updates on the gas production testing operations at Selemo in the near future.”

In 2015, the original Selemo 1 lateral production pod (a vertical well called Selemo 1P and an intersecting horizontal well designated 1A) had two new shielding pods (Selemo 2 and 4) drilled either side of it, to assist with dewatering and ultimately, enhance gas deliverability (*see Figure 1 below*). Following the successful drilling program, each new vertical production well was completed with down-hole equipment to enable water level reduction and allow the gas to flow from the coal seam.

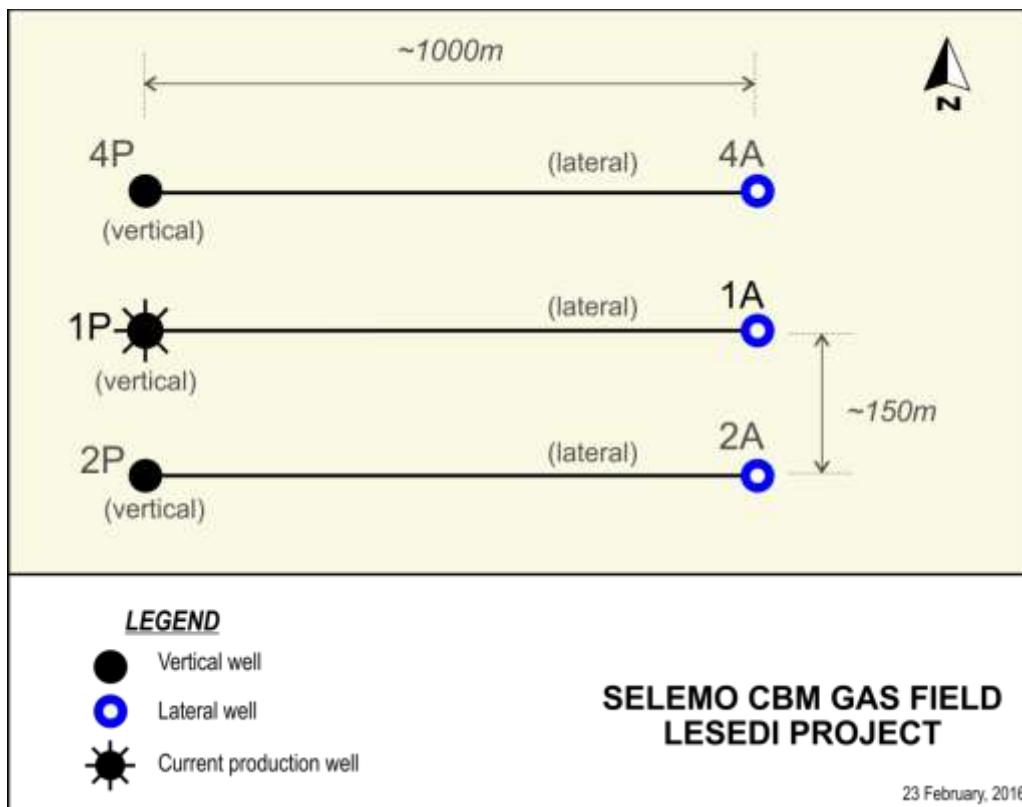


Figure 1 – Selemo pilot well pod schematic

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The dewatering and testing process includes:

Testing stage	Status
<ul style="list-style-type: none"> ▪ Reducing the water level in each of the three vertical production wells; 	Achieved
<ul style="list-style-type: none"> ▪ Reaching the critical gas desorption point; 	Achieved
<ul style="list-style-type: none"> ▪ Gas pressure building up in each well; and 	Achieved
<ul style="list-style-type: none"> ▪ Flowing and testing gas production rates. 	Continuing

Dewatering operations commenced in mid-September 2015 in a controlled manner with all three pods reaching critical desorption pressure ('CDP') and steadily building wellhead pressure.

The current phase involves the step rate gas testing program. Long term testing commenced on 8 February 2016 with the two new wells either side of Selemo 1 successfully shielding water from the central and main producing well. Initial gas rates are building and gas is being flared at Selemo 1P.

Incremental pressure drops on the pumping (or vertical) well have been carried out since testing started on Selemo 1P, resulting in gas flows and importantly, leading to changes in down hole pressure rates recorded in the producer or lateral well. These pressure drops will be increased over the coming weeks. The pressure rates recorded to date in the producer well are very encouraging.

In 2014, prior to drilling of the shielding wells, Tlou conducted a short-term gas production test at Selemo 1, with significant gas flows achieved but only over a short term period due to excess water production. The current results from testing at Selemo 1 validate Tlou's decision to drill the shielding wells in 2015.

The aim of the gas testing program is to provide evidence of a sustainable gas production rate achievable from the field. This data will be incorporated into field development plans and provide data for independent reserve certification.

Gabaake Gabaake
 Acting Managing Director
Tlou Energy Limited
 Website: www.tlouenergy.com

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For further information regarding this announcement please contact:

Gabaake Gabaake
Executive Director
Email: info@tlouenergy.com

Solomon Rowland
Company Secretary
Email: info@tlouenergy.com

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 10MW pilot project. Discussions with potential off-takers, including Government, to purchase the power is on-going and the company plans to sign a Power Purchase Agreement in the near term. Following successful implementation of the 10MW pilot project the Company plans larger projects to provide further power to Botswana and the southern African region.

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