

TLOU ENERGY

Ticker	TLOU
Share Price	6p
Shares in Issue	205.62m
Market Cap	£12.1
52 week Low	3.13p
52 week High	7.25p

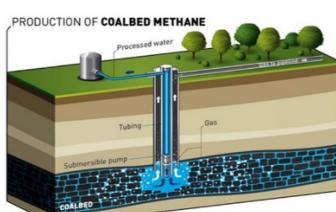
Chart



Resources

(2C) resources of 239Bcf, (3C) resources of 3.3Tcf

A\$0.57/sh total NAV, putting company on 0.26x valuation multiple



TLOU energy is a dual listed company whose business is the exploration for and proposed production of unconventional gas, principally Coal Bed Methane ("CBM").

At IPO in November 2015, TLOU had a £13.3m Market Capital (MC), with share price of 6.5p, TLOU is presently trading at a small discount to the IPO, TLOU is currently conducting gas production testing, it is also seeking reserve certification and EIA approval.

The Board

The TLOU Board have a real depth to their knowledge and connections, The Chairman Martin McIver is considered one of the pioneers of CBM drilling techniques, Executive Director and acting CEO Gabaake Gabaake (GG), an accomplished civil servant, was formerly Permanent Secretary in the Botswana Ministry of Local Government and Ministry of Minerals, Energy and Water Resources. MD & CEO Anthony Gilby is the co-founder and previous CEO of Sunshine Gas, which proved over 1,000PJ of CBM reserves and was sold for A\$1.1billion to QGC/BG Group.

Resources

Currently TLOU has the most advanced gas project in Botswana an independent review by SRK Consulting has assigned 2C resources of 239Billion cubic feet (Bcf) to the Lesedi project, and contingent certified resources (3C) of approximately 3.3 trillion cubic feet (Tcf).

Operations

TLOU has advanced and de-risked its operations through several pilot phases, during 2014 the peak recorded gas flow rates were 400,000 cfd with recorded average gas flow of 200,000 cfd. These results suggest a commercial development may be achieved. The company remains focused on delivering on its project, and are currently conducting a series of gas flow tests on Selemo 1, 2 and 4, with flow test results expected in the short term, TLOU expect the first project to become live during the second half of 2016. TLOU are conducting a series of flow tests on Selemo 1, 2 and 4, results of these test should be known in the near future ([Ref 1](#)).

During 2015 TLOU has signed a cooperation agreement with CNG holdings in March 2015 for supply of compressed natural gas to off-takers, and with GE and IK holdings in April 2015, for sharing of infrastructure and delivery of gas to power stations in Botswana ([Ref 2](#)).

TLOU recent quarterly update (July 2016) highlights were as follows ([Ref 3](#)):

- 1- Long term gas testing at the Lesedi CBM Project expanded successfully to include Selemo 2 & 4.
- 2- Sustained gas flow achieved at Selemo 4 with the well exceeding expectations & potentially acting as a key second gas producer alongside Selemo1.
- 3- Approval granted by Botswana's Government for a 50MW CBM power project - five times larger than the 10MW project originally applied for.
- 4- Considerable interest from a number of larger third-parties to partner with Tlou for the proposed 50MW plant in addition to future projects. Positive discussions are on-going with these potential strategic partners.

TLOU forward plan is to pursue the development of a 50MW gas-to-power project for which they have already been granted an agreement from the Botswanan government and which they indicate that they are already in discussions with potential partners to project finance. ([Ref 4](#)).

The project is 5 times larger than the 10MW power plant originally applied for, demonstrating the strength of the Government's support for the development of domestic sources of gas and power. This approval followed the decision by the Government of Botswana to incorporate 100MW of CBM power into its future generation supply plans from 2018

TLOU Energy

3rd August 2016

The 50MW project approval creates a ready market as the first step to develop Tlou's independently certified contingent gas resources of ~3.3 TCF (3C).

The Company will now enter into further discussions with the relevant government department to agree the terms of an off-take agreement. This is another key parameter in the steps towards booking independently certified gas reserves.

There is considerable interest from a number of larger organizations to partner with Tlou to initially develop a gas-to-power pilot project in Botswana and thereafter expand to supply this power deficient region. The larger 50MW project is attractive to such organizations as it provides more options regarding project development as well as potential benefits from economies of scale.

The Company has had positive discussions with potential strategic partners in relation to co-operating on future gas-to-power projects. Based on these discussions Tlou is confident that a strategic relationship with one or more of these potential partners will be announced in the short term

TLOU have a cooperation agreement with GE for sharing of infrastructure and gas supply to the existing Orapa power station for a 90MW power station, and develop a proposed 300MW gas-fired power project.

Net Asset Value (NAV)

Brandon Hill recent research note ([Ref 5](#)) provide an in-depth review of TLOU and gives TLOU a NAV at 24.9p/share, TLOU is currently trading at massive discount to NAV, it is assumed at some stage the government could elect to back the project For US\$10m of historic capex in exchange for a 15% interest in the project, leaving TLOU with 85%.

Catalyst ([Ref 3](#))

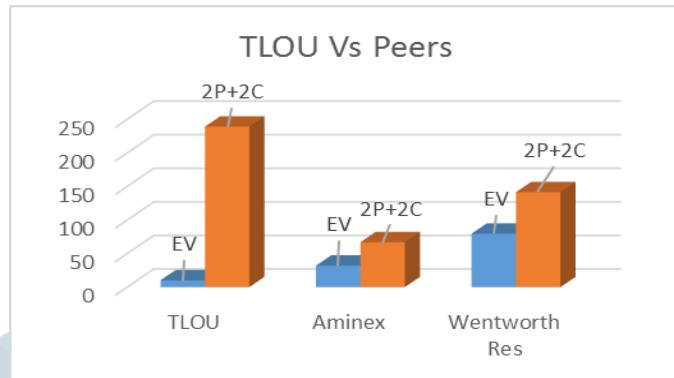
A number of key catalysts are identified below:

- 1-Confirmation of commercial flow rates from Selemo 1,2 & 4
- 2-Discussion outcome with potential strategic partners
- 3-Discussion outcome with regards the off-take agreement with Botswana government.

Peers

Below is a comparison between TLOU and other CBM companies operating in Africa ([Ref 6](#)):

Company	Country	Stage	EV \$m	2P+ 2C	EV to 2P+ 2C
TLOU	Botswana	Pre-Dev	10.2	239.1	0.04
Ophir En	Tanzania	Pre-Dev	340.6	6,092.3	0.06
Aminex	Tanzania	Dev	32.1	67.0	0.48
Wentworth Res	Tanzania	Prod	79.6	141.5	0.56



Risks

There are 2 main risk associated with TLOU right now, achieving commercial flow rates and funding to take the company forward. Both which seem to be mitigated against in the recent quarterly update ([Ref 3](#)).

References

Ref 1:

21 April 2016 - Gas Production Testing Update from the Lesedi CBM Project, Botswana

Ref 2:

22 April 2015 - Co-operation Agreement with General Electric and IK holdings

Ref 3:

29 July 2016 - OPERATIONAL REPORT - QUARTER ENDING 30 JUNE 2016

Ref 4:

05 July 2016 – 50MW Power Project Approved by Botswana Government

Ref 5:

21 July 2015 - Brandon Hill Capital Oil & Gas: Initiating coverage (TLOU Energy).

Ref 6:

July 2016 - TLOU Q3 Investor presentation

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