

1 February 2022

Dear Fellow Shareholder

It is a pleasure to advise that on Friday 28 January we received in-principle approval from the Australian Securities Exchange (ASX) to proceed with our application to prepare a Prospectus for an Initial Public Offering (IPO). This is the first and biggest hurdle to jump until actual listing.

We will work closely with our lead brokers GTT Ventures Pty Ltd, and the corporate legal team led by Shaun Hardcastle, to list and raise \$7.0 million at \$0.20 per share. After expenses, this should leave us ~\$6.5 million, and increase our total cash-in-hand at listing to ~\$8.6 million (includes current cash of ~\$1.5million and \$600,000 we are busy raising). This excludes our remaining investment of 5 million Pure Hydrogen (ASX PH2) shares, currently valued at ~\$2.5 million. If we continue to sell these shares in an orderly manner, by the time of listing we anticipate having ~\$11 million in cash.

This will fund our farmin commitment of \$6.1 million for a 49% interest in the Serowe coal bed methane (CBM) project in Botswana. By the time of listing, we expect to have spent about \$2 million and the balance of ~\$4.1 million by ~mid-2023. On listing we will give PH2 a 19.99% interest in Botala Energy in return for a further 21% of the Serowe Project to increase our interest in this very prospective Project to 70%.

We hope to list on the ASX by mid-May 2022. Preparation of the documentation for our IPO is on schedule. The ASX is extremely busy processing a record number of IPOs and this could cause delays.

ASX Listing Rules will most likely require all shares held by existing shareholders be escrowed for a period of 12 months from the date of their issue, not from the date of listing. In contrast, all shares held by Directors will most likely be escrowed for 24 months from the date of listing.

GTT is an experienced, Perth-based specialist corporate advisory capital investment firm. They will invite their network of sophisticated investors in Australia and all Botala shareholders to invest in the IPO. In addition, the over 10,000 PH2 shareholders will be invited to participate in a priority IPO listing. This should readily give us the minimum shareholder spread of 300 required for a listing.

In December we welcomed the appointment of Peter Grant to the board of directors as a non-executive director. Peter, as Managing Director of IK Holdings has a wealth of valuable Botswana-country knowledge and brings extensive geological and geophysical experience to Botala.

To ensure that your board has sufficient independence, Kris Martinick, my son, resigned on 31 January 2022 from the board of Botala, but remains our Chief Executive Officer.

In addition to attending to our listing, we have progressed as follows since my last update letter of 27 November 2021:

1. Field work.

We drilled a further two wells in Botswana; completed in time for our Botswana based team to enjoy a well-earned Christmas and New Year break. We will evaluate the drilling results together with magnetotelluric and audio frequency (AMT) data currently being collected.

We again intersected gaseous coals and the results continue to enhance our geological understanding and confidence in the prospectivity of the Serowe Project.

2. Resources

Our independently certified 2C contingent resource of 160 billion cubic feet is expected to increase in the vicinity of our five wells drilled to date. Revised results will be presented in a Technical Report being prepared by independent consultants for our Prospectus.

Well engineering studies are continuing to gain a better understanding of water properties within our best well with a view to stimulate commercial gas flows and commence production testing as soon as practical.

In my last update I advised that during our listing we would cease exploration drilling to not materially affect results discussed in our IPO and thereby avoid delays in completing the IPO. This will be reviewed to avoid unnecessarily delaying exploration.

3. Lupani Industrial Park complete with a solar farm complex

We aim to contribute to Botswana's economy through development of an energy and industrial zone designed to meet Botswana's current shortfall in electricity supply through a mix of renewables, CBM and batteries, and ultimately allow the export of electricity. Consequently, we are finalising a binding long-term lease with a Trust representing the local community for a site of 1520 ha, 4.6 km south of the Morupule coal fired power station, with connections into the Southern African Power Pool and the domestic power distribution net.

We have commenced studies and planning to secure necessary Power Purchase Agreements.

4. Gas Sales Agreement

We are part of IK Holdings' tender to supply the Orapa power station with CBM and have been informed that we are short-listed and will be advised soon of the outcome.

5. Memorandum of Understanding (MOU) with PH2

Our MOU with PH2 to cooperate on renewables and especially with respect to hydrogen production, distribution and developments in southern Africa, based on PH2's progress and network in Australia was extended on 24 January 2022.

6. Environmental, Sustainability and Governance (ESG)

We remain committed to our net zero emissions target by latest 2040, and are reviewing our ESG policies and programmes, for inclusion in the Prospectus.

Loci Environmental, an experienced Motswana environmental consulting company, have submitted study briefs to the Botswana Department of Environmental Affairs to determine the level of assessment to be nominated for development of commercial production of CBM on our Serowe Project Area, a pipeline corridor, and establishment of our proposed Lupani Industrial Park complete with the Lupani Energy Hub. We anticipate securing necessary approvals by late 2022.

Please contact me, Kris Martinick (CEO - 0421 322 737) or Craig Basson (Company Secretary and CFO - 0414 912 540) if you have questions or require further information.

Kindest regards

Wolf



Dr Wolf Martinick
Executive Chairman, Botala Energy Ltd

M - Aus: [+61 417 942466](tel:+61417942466)
M - Bot: [+267 74 740886](tel:+26774740886)
E: wolf.martinick@botalaenergy.com.au