

**TLOU ENERGY LIMITED****10 July 2013**

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**Highlights**

- **DWD Buffalo Rig rigged up and accepted on contract for lateral well drilling program;**
- **Selemo 1A-R, first lateral well has commenced drilling operations.**

*Note: All times quoted are referenced to Central African Time Zone (CAT) unless otherwise stated*

Tlou Energy Limited ("Tlou") is pleased to advise that the lateral well drilling phase of the program has now commenced. The DWD Drilling Technologies ("DWD") Buffalo rig was accepted on contract at 06:00 hours on 9 July and drilling operations immediately commenced at the Selemo 1A-R location.

The first operation at Selemo 1A-R was to run the 244mm (9-5/8") surface casing string to 202m and cement this in place. Currently the rig is preparing to drill a 152mm (6") build section to land-out horizontally in the target basal Morupule Coal Seam. The 152mm (6") hole will then be opened up to a 216mm (8-1/2") hole size. Once the drilling of the horizontal build section is completed, a 171mm (7") casing string will be run and cemented to provide the launch point for drilling the ~750m long, 152mm (6") lateral section directionally steered through the coal to intersect the previously drilled Selemo 1P vertical pumping well. This operation will then be repeated at the Selemo 1B lateral site to complete the Selemo Pod.

All operations are proceeding as per program.

**Background on the current drilling program**

The current drilling program comprises two horizontal pilot pods called Selemo and Lesedi. Each Pod has a single vertical well (Selemo 1P and Lesedi 1P) with each vertical well having two 750 m in-seam lateral wells drilled to intersect it through the targeted basal Morupule Coal Seam. For the Selemo Pod, the in-seam wells will be named Selemo 1A and Selemo 1B. This approach has proved to be successful in CBM basins in Queensland and will facilitate faster and more efficient dewatering and gas drainage of the targeted coal seam.

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As previously reported, the top-hole section on each well was drilled with a smaller Schramm T-130 Rig from DWD. The lateral sections will be completed in a second drilling phase with the larger DWD Buffalo Rig which is now currently underway.

The entire drilling campaign of six wells is scheduled to be completed in 3Q13 with testing operations commencing in 4Q13 following well completions and installation of surface testing facilities.

Tlou has been active in Botswana for over three years with approximately US\$40 million having been invested on drilling and testing programmes to date by Tlou and the previous operator. The Karoo Central project is one of the most advanced CBM projects in southern Africa as a result of this investment.



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**DWD Buffalo Rig in Operation at Selemo 1A-R (Lateral Well Drilling)**



**DWD Shramm T-130 Rig in Operation at Lesedi 1P (Top-hole Drilling)**

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