

TLOU ENERGY LIMITED**16 August 2013**

Highlights

- **Selemo 1A-R horizontal well preparing to intersect Selemo 1P vertical well;**
- **Horizontal section directionally steered through the Morupule Formation coal seam;**
- **Good quality coal intersected along the entire horizontal well path.**

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

Tlou Energy Limited ("Tlou") is pleased to provide an update on the drilling progress for the Selemo 1A-R horizontal well, the first on the Selemo Horizontal Pilot gas production Pod.

At 06:00 hours (AEST) this morning, Selemo 1A-R was at a depth of 1,056m measured depth (MD) which is equivalent to a true vertical depth (TVD) from surface of 525m. A 152mm (6inch) horizontal hole was directionally steered along a surveyed path through the lower Morupule Formation coal seam from the 178mm (7 inch) casing shoe set at 577m MD to a total depth of 1,475m MD. The well path remained within good quality coal for the entire length of the horizontal section. Due to localised magnetic effects influencing the survey guidance ranging tools, an intercept with the Selemo 1P well was not achieved on initial attempts.

The current operations on the rig this morning involve drilling ahead on a new horizontal branch (Branch #4) deviated from the main hole having pulled the drilling bit back to 1,154m. A trajectory for intersection has been mapped and drilling is now proceeding along the surveyed plan.

It is further noted that some delays have been experienced with this first of four horizontal well sections due largely to the logistical remoteness of the drilling location and availability of the necessary service support available in southern Africa. This has been compounded by some equipment deficiencies on the rig being used with the associated need to modify the operation in real time in order to compensate. It is currently anticipated that the lost time will be made up over the full program although this will be a function of how trouble free the remaining horizontal well sections are.

TLOU ENERGY LIMITED**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 ~750m in-seam horizontal wells drilled to intersect it through the targeted basal Morupule Coal Seam. For the Selemo Pod, the in-seam wells are designated 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.

As previously reported, the top-hole section on each well was drilled with a smaller Schramm T-130 Rig from DWD. The horizontal 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 programs to date by Tlou and the previous operator. This has resulted in over 70 wells drilled along with the acquisition of a comprehensive technical data base. Correspondingly, 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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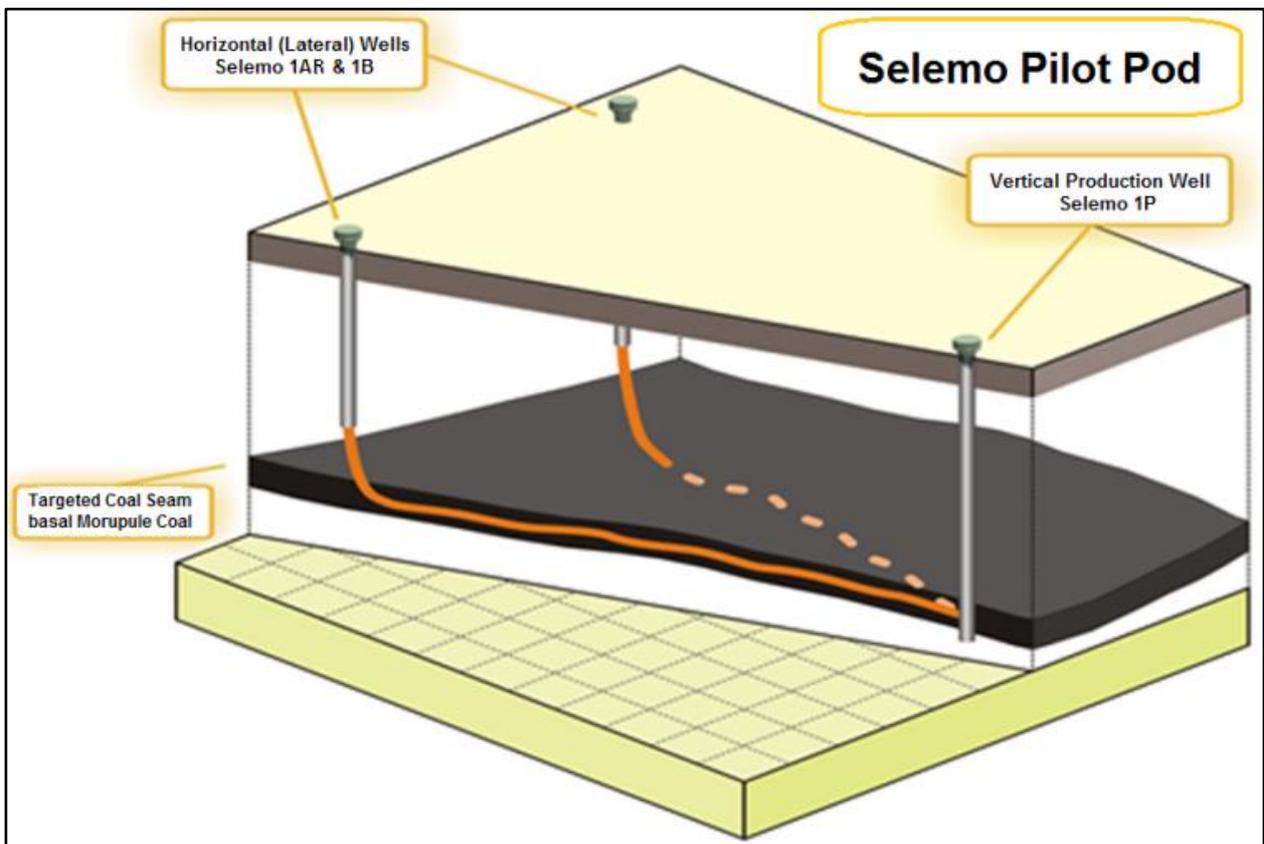
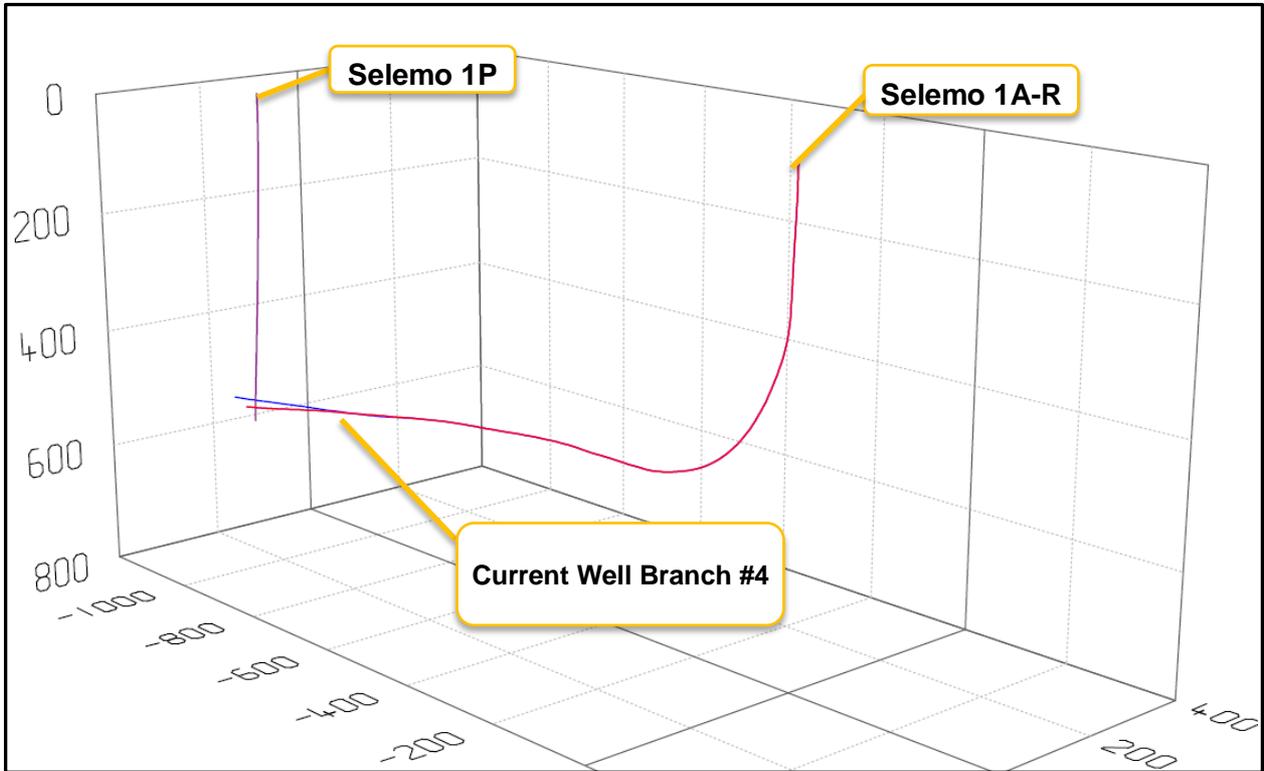
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