

TLOU ENERGY LIMITED**19 August 2013**

Key points:

- **Horizontal section of Selemo 1A-R, being directionally steered through the Morupule Formation coal seam, temporarily suspended to rectify down-hole motor problems;**
- **During drilling, good quality coal was intersected along the entire horizontal well path.**

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

As reported by Tlou in its announcement on 16 August 2013, current operations for the Selemo 1A-R horizontal well have involved drilling ahead on a new horizontal branch.

While drilling Solemo 1A-R, the well path remained within good quality coal that was continuous and without any major fault lines intersected for the entire length of the horizontal section.

During current drilling operations, Tlou has encountered persistent down-hole drilling motor problems which have given rise to the need to temporarily suspend operations whilst a review is undertaken. It is currently anticipated that this review should be completed by the end of the month.

Tlou will provide a further update when drilling operations recommence.

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.

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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 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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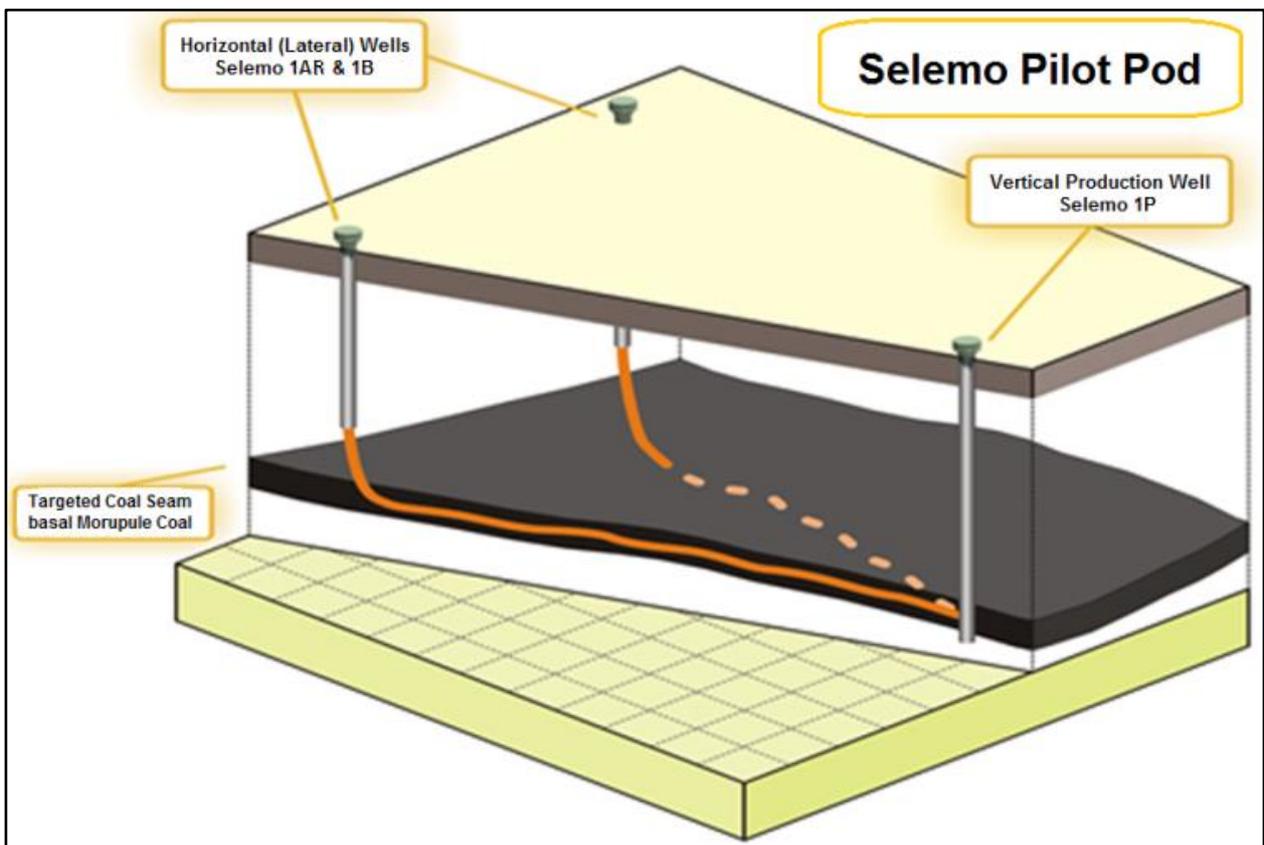
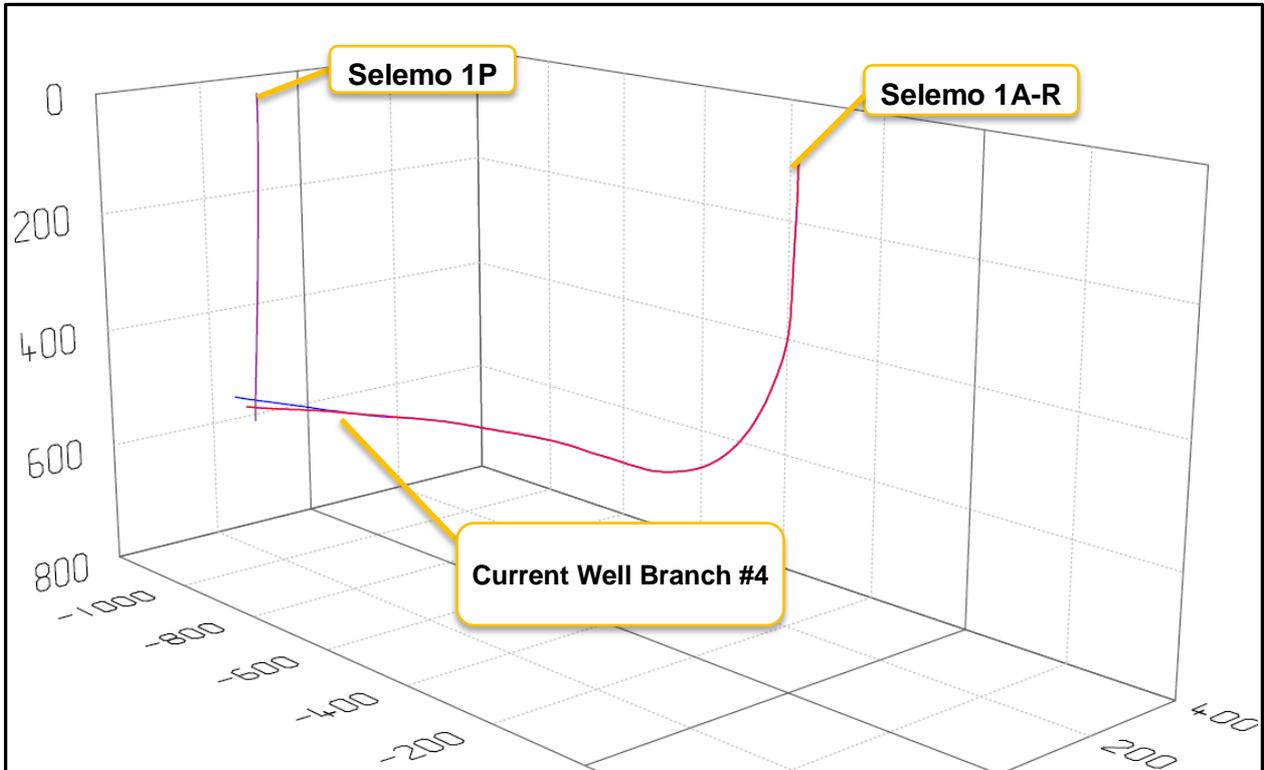
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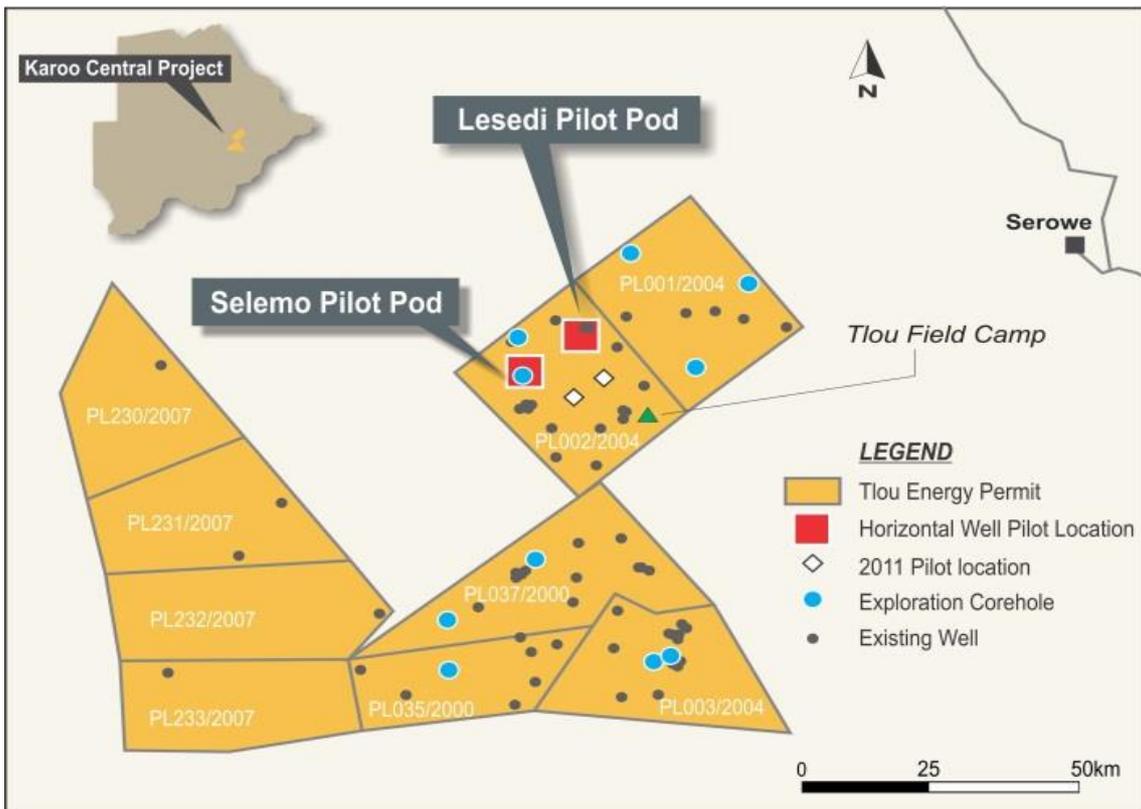
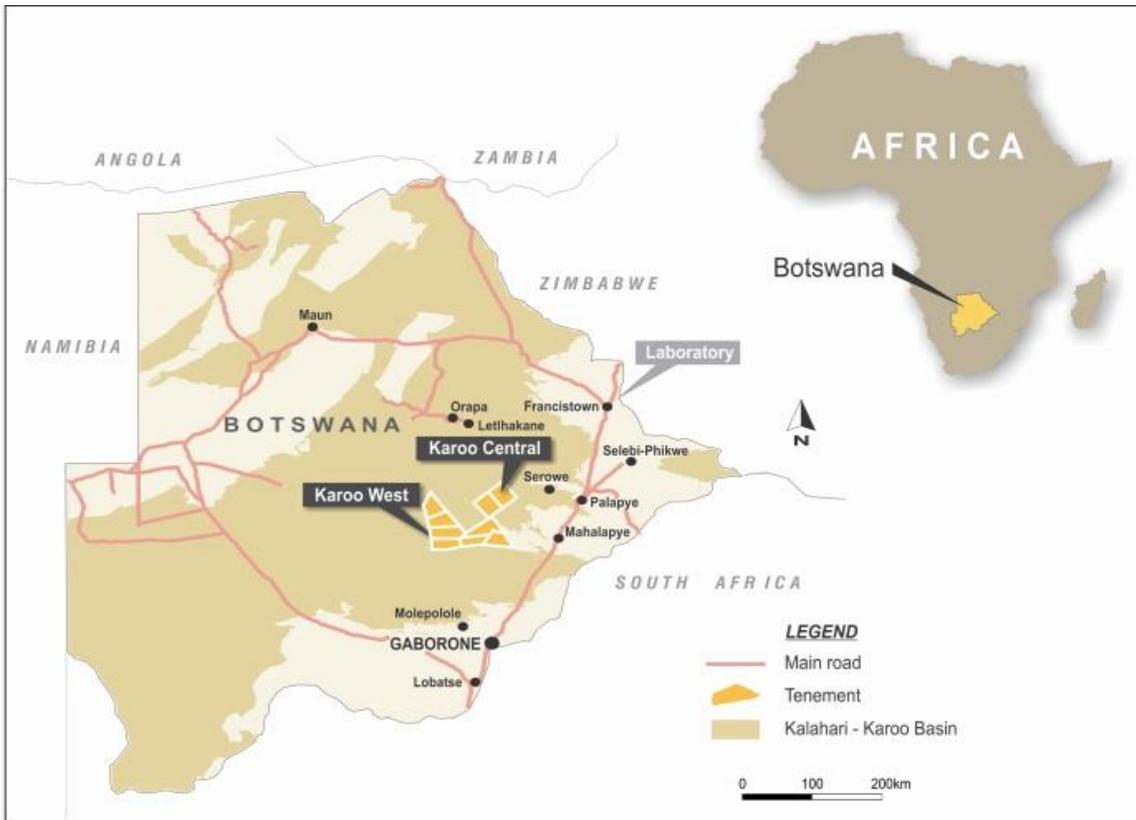
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