

TLOU ENERGY LIMITED**27 August 2013**

Key points:

- **Drilling review continuing at Karoo Central Gas Pilot project;**
- **As part of this review process, Selemo 1A-R horizontal section has intersected the vertical production well Selemo 1P;**
- **Operations have now recommenced. The drilling of the next horizontal well section will incorporate the results of the drilling review.**

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

Selemo 1A-R horizontal section has intersected the vertical production well Selemo 1P as the drilling review team evaluated the working rig to determine the cause of down hole motor issues which had persisted during the initial drilling of Selemo 1A-R.

Concurrent with the finalisation of the drilling review, expected at the end of the month, Selemo 1A-R will be suspended pending completion. The rig will then move to the next horizontal well of the Selemo pod – Selemo 1B. The results of this review will be implemented prior to drilling the Selemo 1B horizontal section in addition to the remaining wells in the program.

The drilling review process and associated delays with drilling Selemo 1A-R will add costs to the well, however, it is currently anticipated that subsequent wells in the program will benefit from the review process and some cost recovery should be achieved. In addition, the major drilling contractors (the drilling rig and the horizontal steering crew) have agreed to adjust their rates for subsequent wells in the 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 ~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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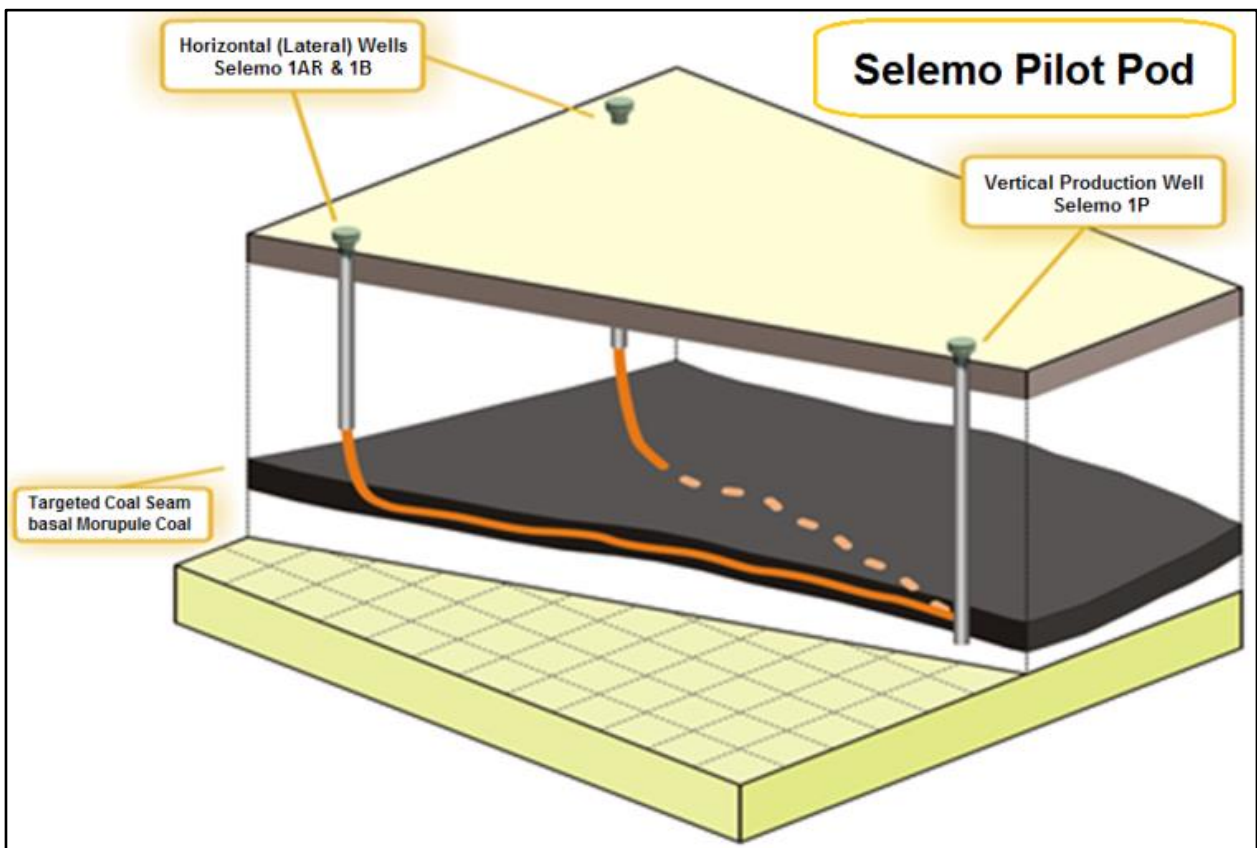
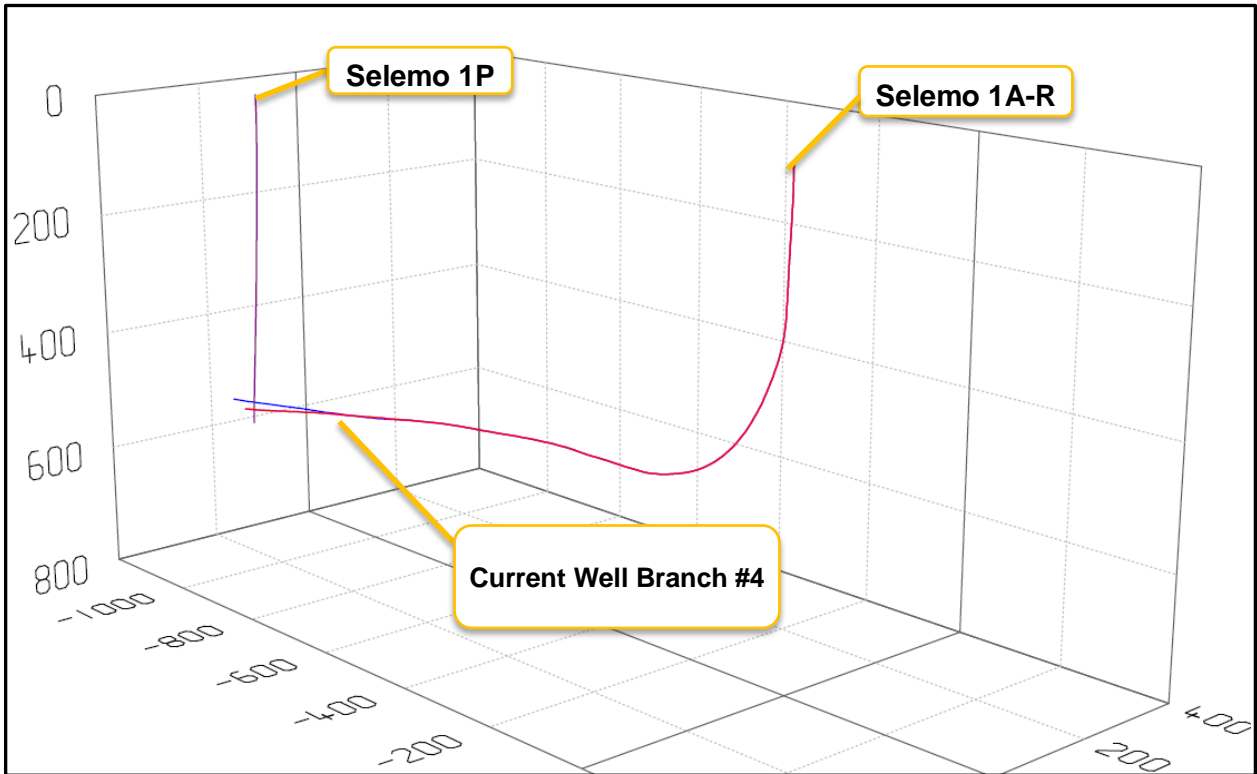
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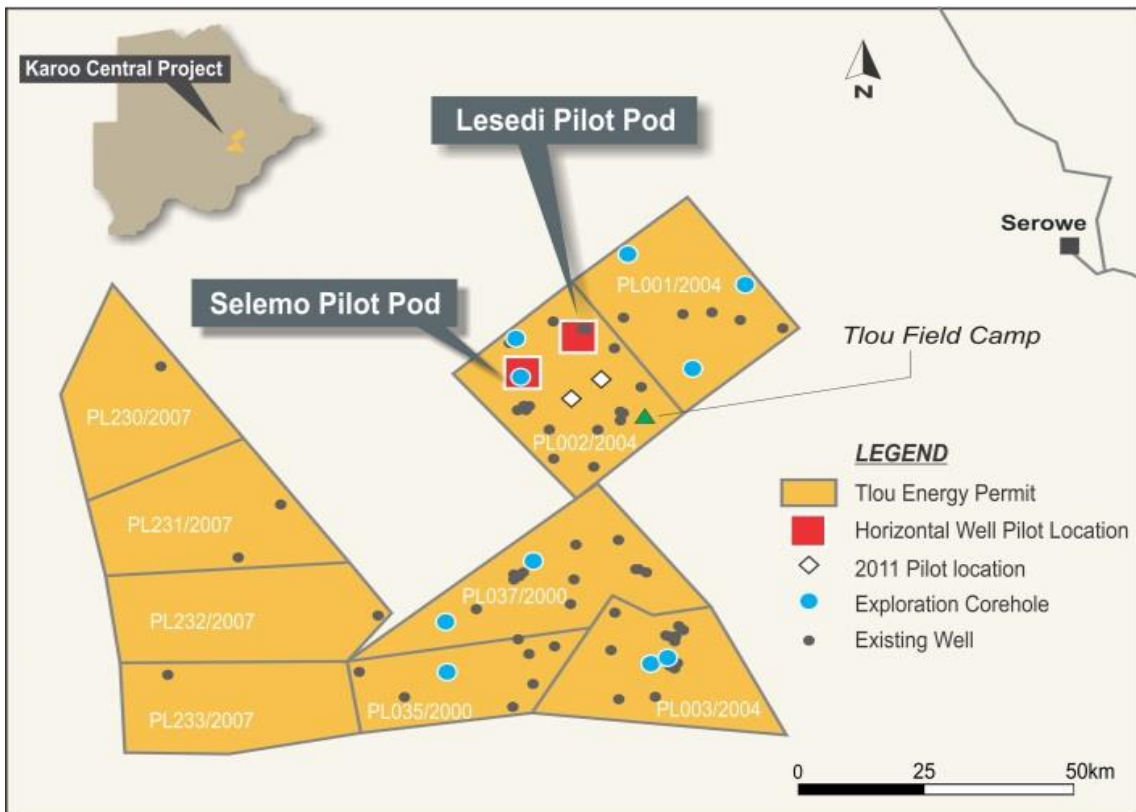
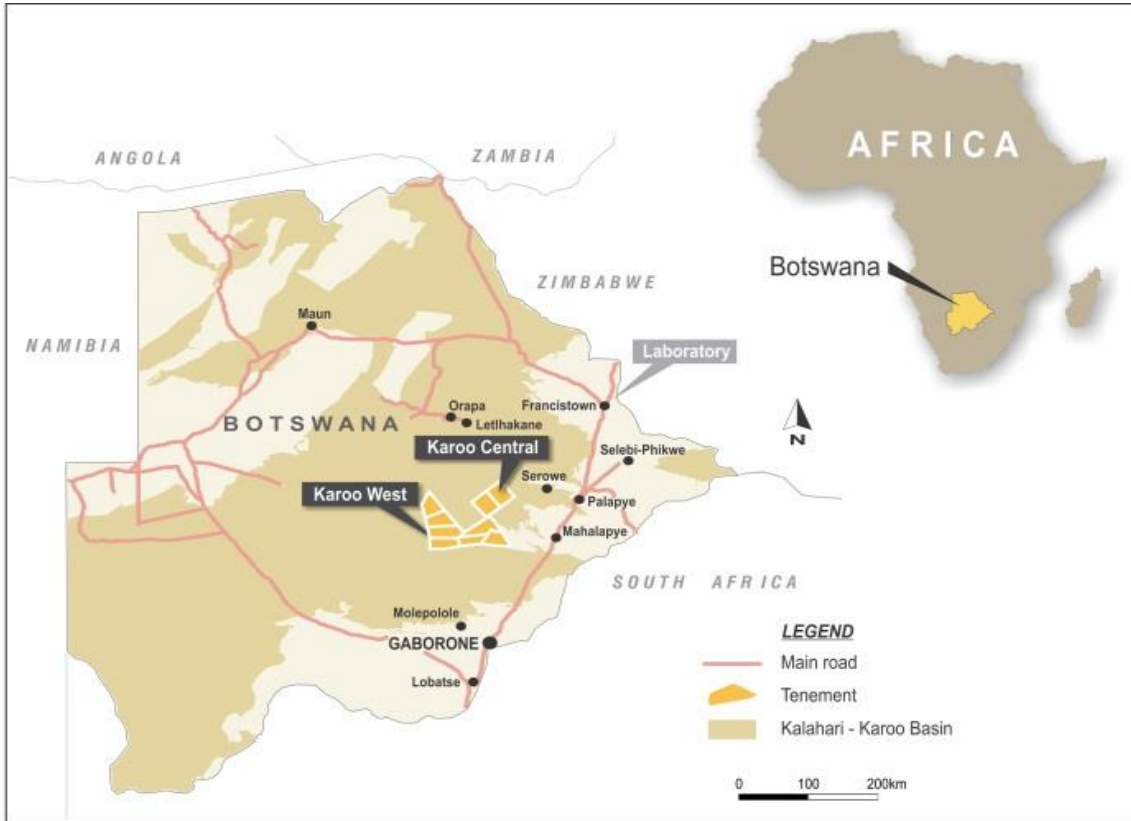
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