

TLOU ENERGY LIMITED**3 September 2013**

Key points:

- **Operations continue on the Karoo Central Gas Pilot project.**
- **Selemo 1B drilling commenced.**
- **Results of the recent drilling review being implemented.**

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

Tlou Energy Limited ("Tlou") is pleased to advise that drilling of the next lateral well of the Selemo pod has commenced. At 03:30 hours on 1 September, DWD's Buffalo Rig completed the move from Selemo 1A-R and was rigged up over the Selemo 1B hole. The drilling bit was lowered to the well depth of 220m and drilling of the radius bend build section commenced. At 06:00 hours (AEST) this morning, the well was at a depth of 357m MD and directionally drilling ahead a 200mm (7-7/8") hole.

The planned operations for the week at Selemo 1B will involve drilling the 200mm (7-7/8") radius bend section of the hole to land out horizontally in the target Morupule Formation coal seam at approximately 750m measured depth (MD), equivalent to a true vertical depth from surface of 520 m (TVD). The hole will then be opened up in size from 200mm (7-7/8") to 216mm (8-1/2") and the 171mm (7") casing string run and cemented in place. Once installed, the 171mm (7") casing string will provide the launch point for drilling the ~750m long, 152mm (6") lateral section directionally steered through and within the coal to intersect the previously drilled Selemo 1P vertical pumping well.

The drilling review team has also completed its evaluation of the working rig to determine the cause of down-hole motor issues which persisted during the initial drilling of Selemo 1A-R. The results of this review are being incorporated into a number of program refinements, which include:

- streamlining of operational procedures whilst drilling with the downhole motors to prevent motor failures;
- modifying the drilling fluid system on the Buffalo rig to increase drilling efficiency; and
- sourcing of an alternate down-hole backup motor to be used if the current motors continue to experience difficulties.

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-R 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.

Once the entire drilling campaign of six wells is completed, testing operations are scheduled to commence in 4Q13 following the installation pumps in the vertical wells and commissioning 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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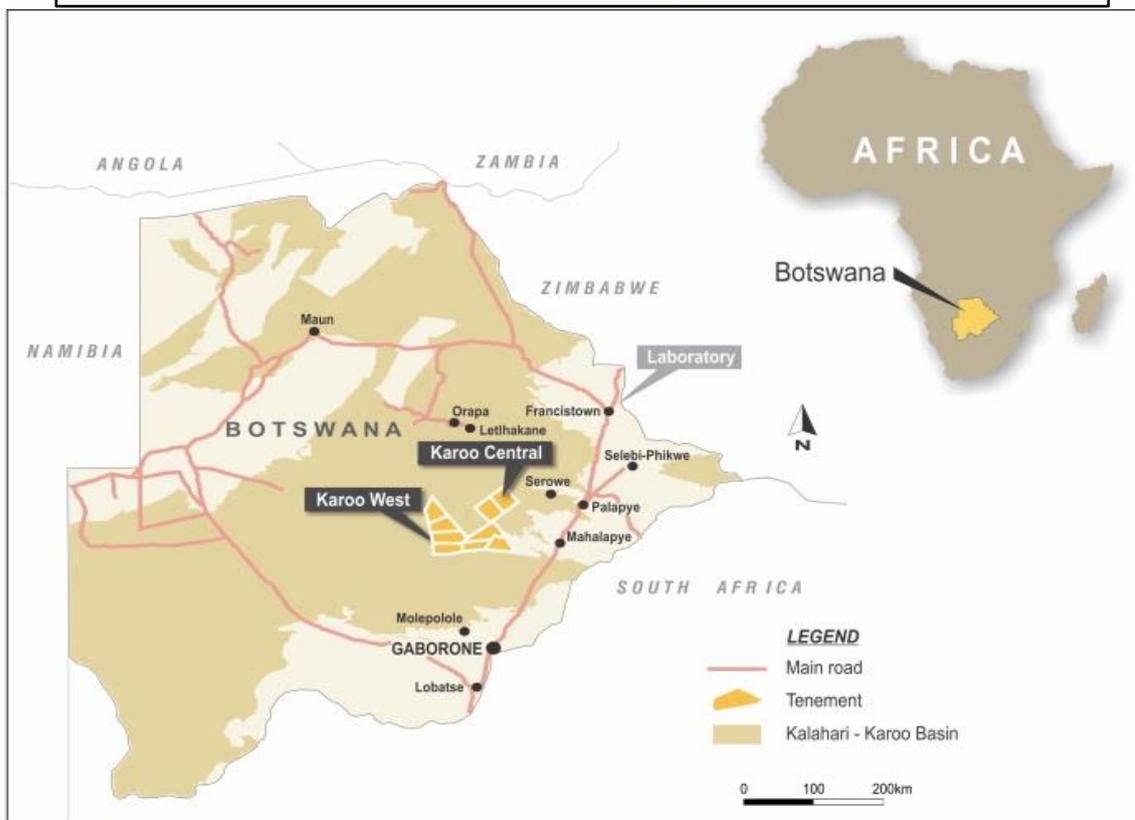
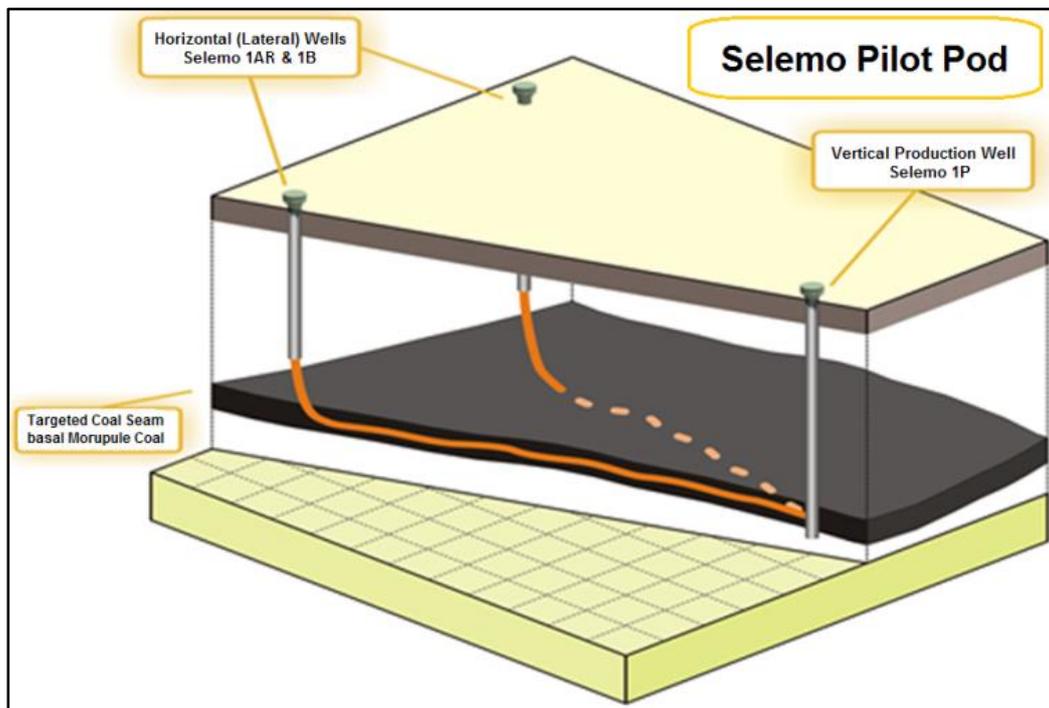
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