

**TLOU ENERGY LIMITED**

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**17 December 2013**

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**Key points:**

- **Selemo Pod is advancing towards critical gas desorption with first significant gas flow expected early in 2014;**
- **Lesedi Pod early pressure trends suggestive of a good future gas producer.**

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

Tlou Energy Limited ("Tlou") is pleased to advise on the status of activities for its Lesedi and Selemo Horizontal Pod testing program in the Karoo Central Project area in Botswana.

**Horizontal Pod (Selemo & Lesedi) Testing Program****Selemo Pod** (commenced dewatering on 17 November 2013)

Based on the current test data, the Selemo pod is now advancing towards critical gas desorption. This means that coal reservoir pressure (initially in the near well bore region) is decreasing via the dewatering process to the point that gas can begin to be liberated in a controlled manner. Preliminary analysis of the well performance data suggests that significant gas should begin to flow from the Selemo Pod (Selemo 1P) early in 2014 assuming current trends continue.

Some of the positive indications that can be drawn from the Selemo Pod production data to date include the observed consistency in water production and low solids content. This consistent water production from the coal reservoir with minimal induced fines is important to observe as it means that the coal is slowly dewatering and solids are not being rapidly drawn into the system that could otherwise block the open gas production pathways.

**Lesedi Pod** (commenced dewatering on 5 December 2013)

Meanwhile, testing at the Lesedi pod (located 15km to the east of Selemo) is progressing well. Early indications are similarly positive. Measured water rates are consistent and is accompanied by low solids. This suggests that controlled dewatering is proceeding according to plan and that the coal reservoir should be a good gas producer based on early pressure trends.

Tony Gilby Managing Director commented:

*"The current performance of the Selemo Pod is encouraging and tracking above our expectations. Lesedi is demonstrating similar characteristics albeit at an earlier stage. The information gained from the pilots will be applied to the core holes planned in 1Q14. It is anticipated that these core holes will be completed to enable them to be utilised as future*

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*gas producers. This will provide further efficiencies as Tlou moves towards gas production and reserves certification in 2014.”*

**Background on the 2013 & 2014 Drilling Programs**

The 2013 drilling program comprised two horizontal pilot pods called Selemo and Lesedi. Each Pod has a single vertical well (Selemo 1P and Lesedi 1P) with each vertical well designed to have two ~750m in-seam horizontal wells drilled to intersect it through the targeted basal Morupule Coal Seam. The Selemo Pod has been completed as a single-lateral pilot pod. Lesedi Pod has been completed as a dual-lateral pod.

Production testing operations on both the Selemo Pod and the Lesedi Pod are underway.

To complement the Selemo and Lesedi Pods, three core wells will be drilled in 1Q14 as part of Tlou’s 2014 drilling program. With the data obtained from this process, along with data previously obtained, Tlou is aiming to certify the first reserves of a CBM reservoir in Botswana. Achieving reserve certification is the next step in the planned commercialisation of Tlou’s CBM assets in Botswana.

Tlou has been active in Botswana for over three years with over US\$40 million having been invested on drilling and testing programs to date by Tlou and the previous operator. This has resulted in over 76 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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