

TLOU ENERGY LIMITED

30 January 2014

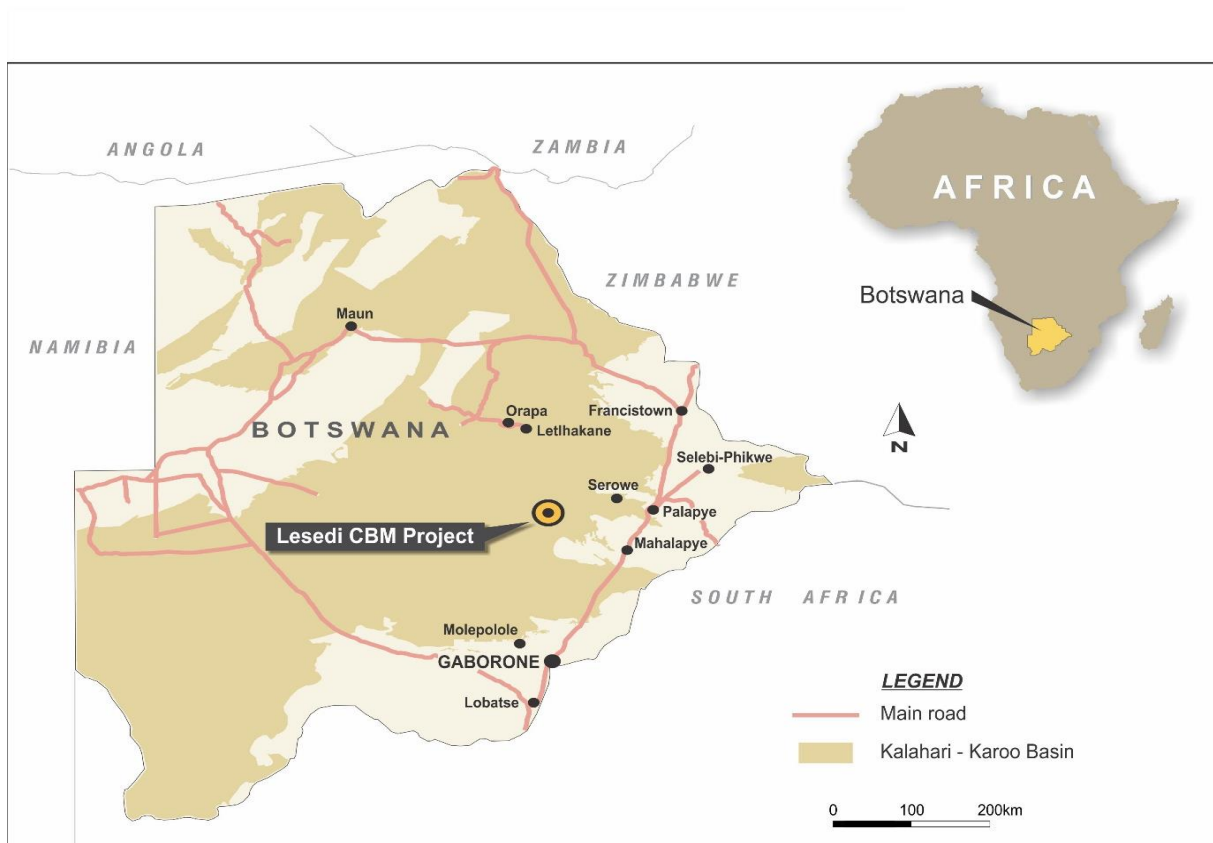
OPERATIONAL REPORT QUARTER ENDING 31 DECEMBER 2013**HIGHLIGHTS**

- Drilling operations successfully completed for the 2013 Horizontal Pilot Well Program;
- Production testing of Selemo and Lesedi Pilot Pods commenced;
- Preparations underway for 1Q 2014 Infill Coring Program (3 Wells);
- Capital raising in December 2013 resulted in approximately \$13.5 million cash balance at the end of the quarter along with approximately 148 million shares on issue.

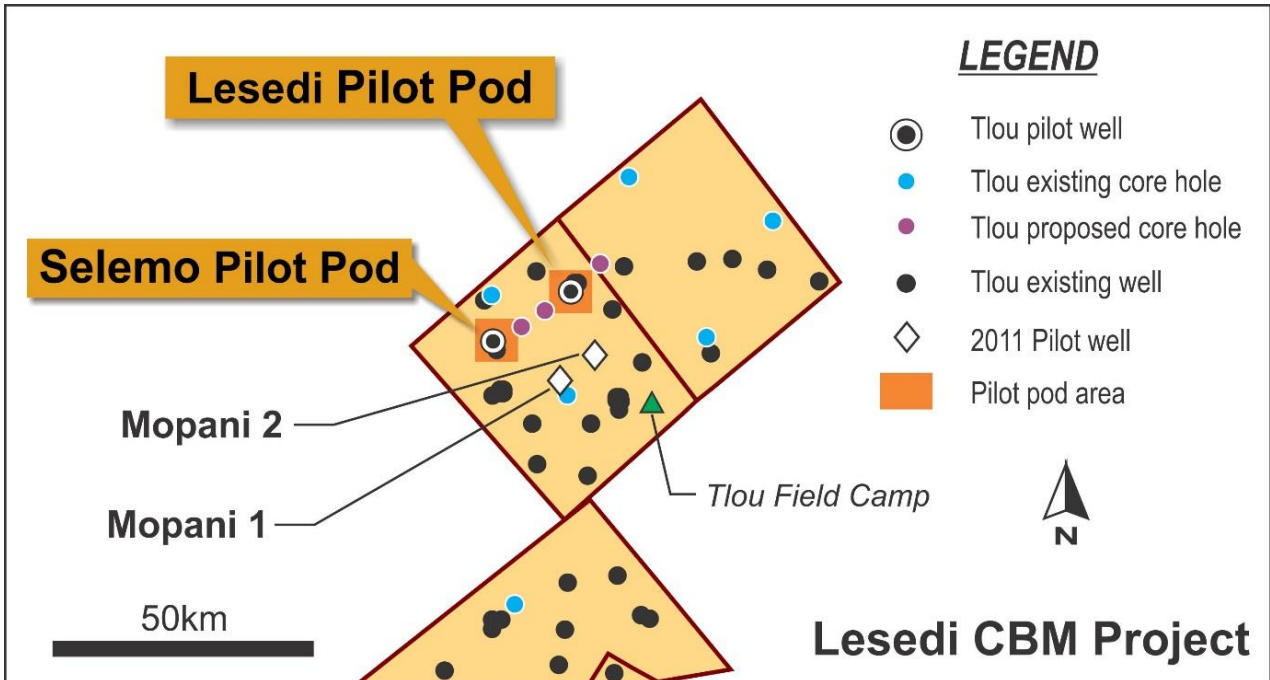
TLOU ENERGY LIMITED PROJECTS

PLs 001-003/2004 and PLs 35 & 37/2000 – Lesedi CBM Project Area, Botswana

Tlou Energy Limited 100%



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The current focus of activities within the permit area is at the Lesedi CBM Project. Drilling operations were successfully completed and the rig released during the quarterly reporting period for the 2013 Horizontal Pilot Well Program. 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. The Lesedi Pod has been completed as a dual-lateral pod.

Production testing operations on both the Selemo Pod and the Lesedi Pod commenced during the reporting period. The test data gathered to date suggest both the Selemo and Lesedi Pods are advancing towards



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critical gas desorption. Gas flows are anticipated in 1Q14. Commercial gas flows will in turn lead to reserve certification which is currently anticipated in mid-2014.

Preparations are underway for a 3 well Infill Coring Program. The well locations have been selected to provide critical infill data on the coal quality in and around the current Pilot Pods to assist with both initial reserves certification and

identification of additional pilot drilling sites for an expanded program. Key contracts for the provision of drilling, desorption services, laboratory services and wire-line logging have now all been executed. Commencement of the first core well is expected in early February once all regulatory approvals and preparatory work is finalised. The core holes will be completed to allow them to be utilised as future gas production wells so as to provide further efficiencies.

PLs 230-233/2007 – Karoo West Permit Area, Botswana**Tlou Energy Limited 100%**

No further work was undertaken on these permits during the reporting period with no further work planned.

SG 7/05 (4533) & SG 9/05 (4535) – Mid-Zambezi Basin Area, Zimbabwe**Tlou Energy Limited 49%**

No further work was undertaken on these permits during the reporting period.

Note: Award of Special Grant area SG 8/05 (5634) is still pending.

Other Areas**Tanzania**

Tlou's application bid for a large CBM exploration area in the Seleous Basin in Tanzania remains with the government in an assessment phase.

TLOU ENERGY LIMITED**Mozambique**

Tlou is continuing with discussions with relevant stakeholders in Mozambique in an effort to secure CBM acreage in the very prospective Zambezi Basin area.

CORPORATE ACTIVITIES

Tlou announced in late December 2013, the successful completion of a capital raising comprising a placement and a 1:4 accelerated non-renounceable entitlement offer completed at an issue price of A\$0.30 per share. The capital raising was strongly supported by existing major shareholders as well as by a number of new institutional and sophisticated investors. Net proceeds of the capital raising will be used to fund the 2014 work program, corporate overheads and to provide additional working capital.

Tlou's cash balance at the end of December 2013 was A\$13.5 million with approximately 148m shares on issue.

Anthony (Tony) Gilby, Managing Director

Tlou Energy Limited

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