

TLOU ENERGY LIMITED



29 October 2014

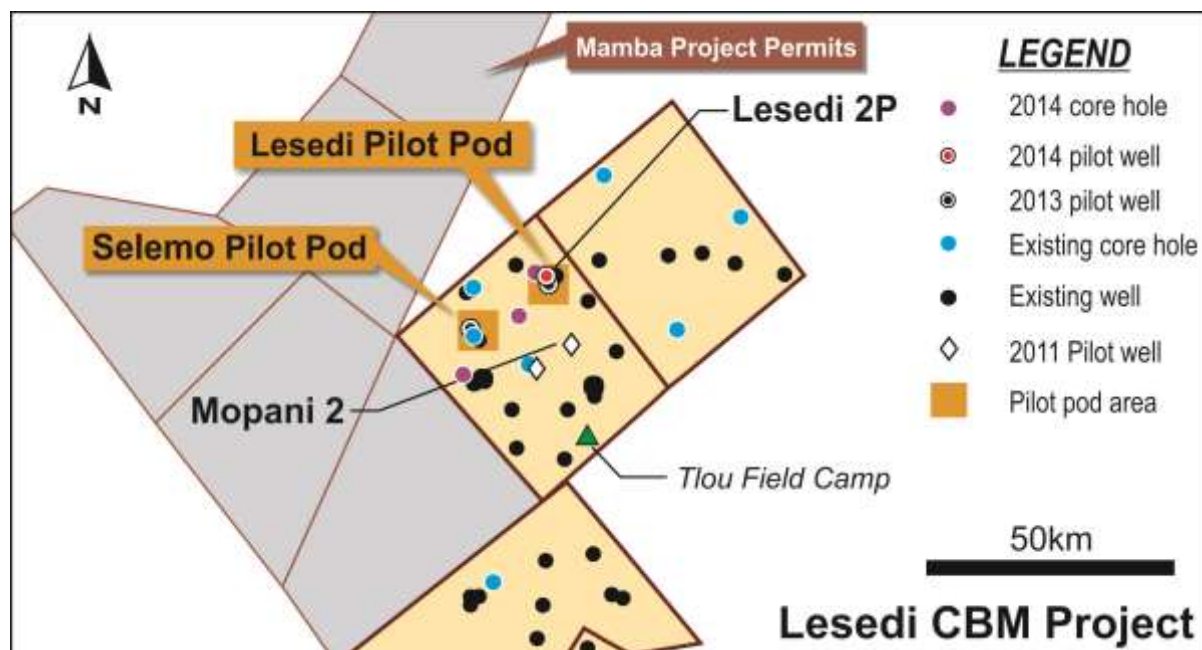
OPERATIONAL REPORT - QUARTER ENDING 30 SEPTEMBER 2014

HIGHLIGHTS

- Remedial work on the Selemo Pilot Pod was completed during the quarter and the pilot restored to production reaching critical gas desorption (CDP) soon thereafter;
- Work-over of vertical pilot well Mopani 2P was completed with well head pressures continuing to increase following achievement of CDP in September 2014;
- Based on encouraging results at Mopani 2P, drilling of a new single vertical pilot well 'Lesedi 2P' commenced in early October. This well is designed to provide an additional flow rate comparison to the lateral production pilots; and
- Prospective new CBM licences, in what has been designated the 'Mamba' project area, were awarded to Tlou during the quarter.

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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Production testing operations on the Lesedi and Selemo Pilot Pods were temporarily suspended during the reporting period to complete remediation works. The Selemo Pod was suspended in order to rectify a previously identified casing integrity issue. Remedial work to fix this issue was completed in September 2014, enabling production testing to recommence. Shortly thereafter, the Selemo Pod was dewatered and reached CDP. Since reaching CDP, casing pressure has continued to steadily increase. Once a maximum casing pressure has been attained, flow-testing of the well at various choke sizes will begin to establish a sustainable flow-rate forecast.



At the Lesedi Pilot Pod, Tlou temporarily discontinued pumping the well in order to investigate the source of an anomalous water influx. During the quarter, a remediation plan was completed and the necessary equipment mobilised to isolate the likely source of the water. The drilling rig required to carry-out the program will be mobilised to the site in late October 2014. The operation is estimated to take approximately one week. If successful, the Lesedi Pod will recommence testing operations (dewatering) in early November 2014.

As previously announced, the Company began work-over and production testing operations on the vertical pilot well Mopani 2P (originally drilled in 2011). The work-over was completed in early September 2014 and since this time, the well has been steadily dewatering with CDP being reached later in that month. Encouragingly, each day since CDP was reached, the well-head pressure has continued to rise steadily. As with the Selemo Pod, once a maximum casing pressure has been reached, flow-testing of the well will begin to establish a flow-rate forecast.

During the quarter, Tlou made a decision to drill and complete for production testing a new single vertical pilot well called 'Lesedi 2P'. This decision was based on the encouraging results at Mopani 2P. The drilling of Lesedi 2P is currently underway and will be completed in late October 2014 with testing operations to begin in early November 2014.

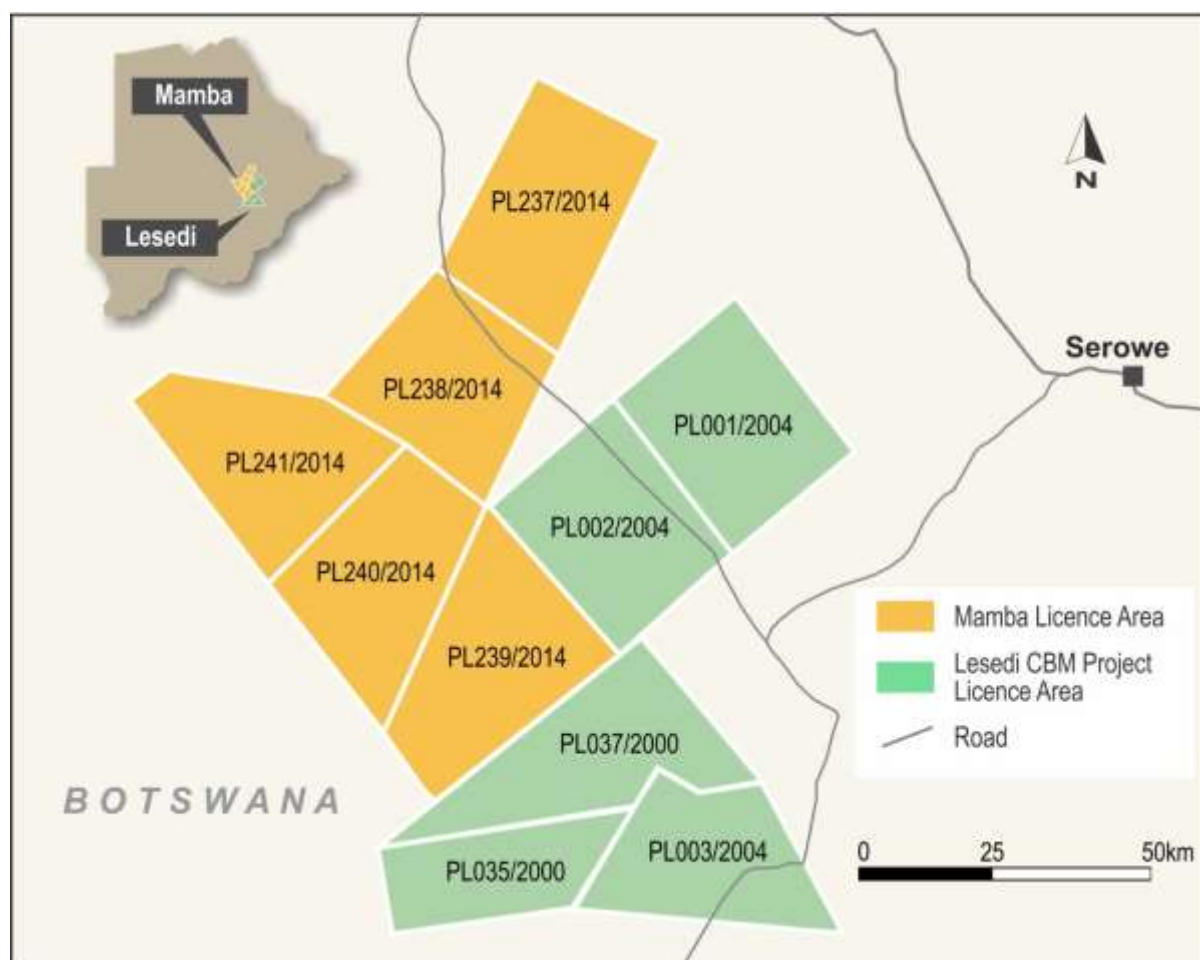
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Tlou is currently focused on demonstrating a commercial gas rate from the Lesedi CBM Project. The objective of the vertical pilot wells Lesedi 2P and Mopani 2P is to provide flow rate comparisons to the Selemo and Lesedi lateral pilots.

PLs 237-241/2014 – Mamba Project Area, Botswana Tlou Energy Limited 100%

In early July 2014, Tlou was awarded five new CBM permits in Botswana (designated the 'Mamba' project area), covering an area of approximately 4,500 square kilometres. The Mamba permits are considered to be highly prospective as they are situated adjacent to Tlou's Lesedi CBM Project (refer to the location map below) and are on-trend with the encouraging results observed to date at the Selemo and Lesedi Pilot Pods. In the event of a gas field development, the acquisition of the Mamba area provides the Company with considerable flexibility and optionality.



TLOU ENERGY LIMITED**NEW VENTURES****Tanzania**

Tlou's application for a large CBM exploration area in the Seleous Basin in Tanzania is under assessment with the government.

Mozambique

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

Malawi

Tlou's application for a large CBM exploration area in the Lengwe and Mwabvi Coal Fields Basin located in southern Malawi has been successful.

Tlou- Key Statistics (as at 30 September 2014)

- ASX Code – TOU
- Shares on issue ~ 148 million
- Fully diluted ~ 163 million
- Cash balance ~ \$7.6 million (AUD)
- Debt = Nil
- Primary Focus is the Lesedi CBM Project in Botswana

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