

**TLOU ENERGY LIMITED**

6 January 2015

**Selemo Pilot achieves peak gas flow of 395,000 cubic feet per day****Key points:**

- Selemo Pilot achieves peak gas flow during production testing of approximately 395,000 cfd (cubic feet per day);
- Results to date suggest that the economic threshold for a potential development has been met when all key factors are taken into consideration.

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

**Update of gas flow testing at Selemo Pilot**

Tlou Energy wishes to provide an update on the results of gas flow testing at the Selemo Pilot. The Company initially began to flare gas at Selemo in November 2014 with the rate building as the well bore environment was gradually brought into equilibrium with atmospheric conditions. A decision was made in early December 2014 to determine the gas flow potential of the well by conducting short term tests as part of the longer term testing process.

The results of these tests are summarized in Table 1 below.

**Table 1: Selemo Pilot short term test data**

<b>Key Parameters</b>		<b>Test 1</b>	<b>Test 2</b>
Flow time	minutes	16.5	15
Gas produced during flow	m <sup>3</sup>	53.2	57.7
Water Produced	litres	357	509
Peak Gas Rate observed during test	cfd	395,300	371,800
Average Gas Rate for test period	cfd	164,000	196,000
Average Water Rate	litres/day	31,156	48,864
Casing Regulator Pressure Drop during flow test	kPa	452	511
Downhole Gauge Pressure drop during flow test	kPa	192	187

The Selemo Pilot was then shut-in to allow pressure build-up data to be accumulated and assessed prior to the recommencement of longer term production testing in early 2015.

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Specific observations in relation to the Selemo testing process to date include:

- Selemo Pilot is the first in Botswana to flow CBM gas at these rates (as far as the company is aware and based on publicly available information).
- Although this was a short term flow test, such a test can still provide a relatively reliable estimate of flow rate capability once wells are in production.
- It is expected that as additional wells are placed nearby to the Selemo Pilot, this would assist in maintaining (or even enhancing) the longer term gas flow rate given a significantly larger area of the coal seam would be maintained below the gas desorption pressure.
- Tlou is very encouraged by the build-up of pressure in the lateral well head since the system was shut-in post the short term production test.

Testing operations will continue at the four pilot locations, currently in various stages of gas and water production, to advance ongoing gas sales agreement negotiations and reserve certification. These activities will serve to underpin Tlou Energy's planned field development objectives at the Lesedi CBM Project in Botswana.

Anthony (Tony) Gilby, Managing Director of Tlou Energy stated that he was *"highly encouraged by the results achieved at the Selemo Pilot to date. With high expected gas prices driven by diesel replacement and low capital / operating costs relative to the Australian CBM industry, the results suggest that a commercial development is achievable."*

**Information Required by ASX under Chapter 5 Listing Rules:**

- Well Name = Selemo 1P (production well associated with the Selemo Pilot)
- Selemo 1P is located in PL002/2004 Botswana
- Selemo 1P and PL002/2004 are 100% owned by Tlou Energy
- Formation name = Morupule Formation (basal coal seam)
- Depth of test is approximately 520m
- Test was conducted in open hole over Morupule Formation basal coal seam
- Seam thickness ~7m
- Duration of the test as per Table 1 above
- Gas and water were recovered on the test as per Table 1 above
- Gas and water rates as per Table 1 above
- "Choke size": Note that gas was flowed using a 31.4 mm surface orifice plate with a 50mm NB (Nominal Bore) inside diameter pipe. Drawdown was controlled via the pressure regulator valve
- The well was not fracture stimulated
- The test did not measure the percentage of methane verses non-hydrocarbon gases

**TLOU ENERGY LIMITED****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 (100% Tlou Energy)

Anthony (Tony) Gilby

Managing Director

**Tlou Energy Limited**

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