

Conclusion of a heads of agreement regarding the sale and purchase of liquefied natural gas and the participation in the Queensland Curtis LNG project

Tokyo Gas Co., Ltd. (“Tokyo Gas”, Mr. Mitsunori Torihara, President) and BG Group plc (“BG Group”, Mr. Frank Chapman, Chief Executive) signed a heads of agreement today regarding the participation in, and purchase of liquefied natural gas (LNG) from, the Queensland Curtis LNG Project (“QCLNG”), which BG Group is promoting in the state of Queensland, Australia. From now on, the two companies will further discuss the details regarding:

- Tokyo Gas acquiring an equity stake in certain BG Group’s tenements in the Walloons Fairway of the Surat Basin in Queensland;
- Tokyo Gas participating in one of the initial two initial trains in the QCLNG which is being developed in Queensland, Australia by QGC Pty Limited, the wholly owned Australian subsidiary of BG Group;
- The purchase by Tokyo Gas of LNG from the QCLNG and from BG Group’s global LNG supply portfolio.

With this purchase Tokyo Gas will become a foundation buyer from the QCLNG.

QCLNG produces coal seam gas (CSG) from the gas fields of the Surat Basin west of Brisbane to Gladstone in central Queensland. The gas will be transported by pipeline to Gladstone, chilled in a liquefaction plant on Curtis Island, and exported in the form LNG. Australia has a wealth of CSG which is anticipated to play a major role as a source of LNG. Tokyo Gas contributes to increase LNG supply capacity by supporting the start up of the first LNG project utilizing CSG as one of the foundation buyers. The company will expand its supply source of LNG by enabling the receiving of CSG-to-LNG.

The heads of agreement is the first long-term contract between Tokyo Gas and BG Group which is a prestigious company in the LNG industry and the first purchase of CSG-derived LNG by a Japanese utility, and also involves the participation in the project. Tokyo Gas expects to future develop the company’s business in the LNG value chain through the strong partnership with BG Group as well as securing supply of LNG with competitive terms.

Outline of the heads of agreement

- (1) Seller: BG Group plc
- (2) Buyer: Tokyo Gas Co., Ltd.
- (3) Contract term: 20 years from 2015
- (4) Contract volume: 1.2 million tons/year
- (5) Delivery: Ex-ship
- (6) Upstream equity interest: Purchase of a 1.25% equity interest in the reserves and resources of certain BG Group’s tenements in the Walloons Fairway of the Surat Basin in Queensland

(7) Mid stream equity interest: Purchase of a 2.5% equity interest in the second of two liquefaction trains which form the first phase of the QCLNG development

(Reference information)

QCLNG

Gas field: CSG tenements centered around the Surat basin in the state of Queensland, Australia

Reserves and resources: about 17.3 trillion cubic feet (Tcf) (about 460 billion cubic meters)

Liquefaction capacity: At least 8.0 million tons/year with two liquefaction trains

Shipping terminal: Curtis Island at Gladstone

Coal Seam Gas

Coal seam gas (CSG), also known as coal bed methane (CBM), is one of the unconventional gas such as shale gas and tight sand gas. CSG is absorbed in the cleat of the coal bed. The commercial production of CSG began in the United States in the 1980s and it covers around 10% of the natural gas production in the country. In Australia, CSG consumption began to increase significantly in the 2000s. The reserve and resource of CSG in Australia is estimated to be around 350 Tcf.

BG Group plc

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Chief Executive: Mr. Frank Chapman

BG Group plc (LSE: BGL) is engaged in the exploration, development, production, transmission, distribution and supply of natural gas and oil. BG Group also has a number of power generation interests. It is involved in the LNG development in Egypt, Trinidad and Tobago, and other countries. The company's LNG transaction volume amounts to around 14 million tons per year. BG Group also has a record of supplying LNG to Japan, including spot sales. For further information visit: www.bg-group.com

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