

TLOU ENERGY LIMITED

23 March 2015

Gas Sales Co-operation Agreement Signed**Key points:**

- Gas Sales Co-operation Agreement signed with CNG Holdings (Pty) Ltd;
- Agreement provides framework for the sale of gas for power generation and to industrial customers via compressed natural gas.

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

Tlou Energy (ASX:TOU) wishes to advise that it has entered into a gas sales co-operation agreement (Agreement) with CNG Holdings (Pty) Ltd, a South African based company which supplies compressed natural gas (CNG) to industrial users and vehicle fleets.

The Agreement provides the framework for delivery of the following commercial arrangements between the parties:

1. Power Generation:

- **Proof of Concept Project** – Tlou Energy's proposed gas to power (GTP) project to supply local power generation from pilot well ramp up gas (including supply of power to a nearby village and excess power to the local grid);
- **Additional GTP Projects** – Expansion of the proof of concept GTP project to supply up to 30 megawatts per annum of power generation (requiring approximately 2 petajoules of gas per annum) either to the local grid or directly to industrial customers in Botswana; and

2. Gas Sales Agreements: Sale of gas by Tlou Energy to CNG Holdings (or nominated subsidiaries) for compression, transport and on-sale of CNG to industrial customers in Botswana and South Africa via road transport.

CNG Holdings has developed a significant CNG business in South Africa selling natural gas as CNG to industrial customers and vehicle fleets. CNG Holdings is seeking to expand its business into other markets. Further information on CNG Holdings is contained in Appendix 1.

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Tlou Energy Managing Director, Mr Tony Gilby said “this is an important milestone for Tlou Energy in forming a partnership with CNG Holdings which is currently supplying gas to industrial customers in South Africa where there is a substantial lack of access to natural gas due to pipeline network constraints. Together we are looking to replicate this success and business model in developing the gas market in Botswana. The partnership of Tlou Energy (with its significant gas resource and upstream experience) and CNG Holdings (with its expertise in CNG logistics and gas sales to industrial customers) represents an exciting opportunity to commercialise gas in Botswana.”

Mr Gilby also commented “this Agreement serves to demonstrate the commerciality of Tlou Energy’s gas resources and the conversion to reserves.”

The parties plan to target industrial users in Botswana that currently utilise imported fuels such as diesel or LPG. Tlou Energy will provide further details as binding agreements are finalised.

Tlou Energy continues to progress its other gas commercialisation strategies, particularly supply of gas to the existing 90 MW Orapa Power Station (via a current expression of interest process with Botswana’s Ministry of Minerals, Energy and Water Resources) and proposed new gas-fired generation projects.

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Appendix 1

About CNG Holdings (www.cngholdings.co.za)

CNG Holdings was established in 2008 to supply natural gas as an alternative energy source for industry and fuel for vehicles in South Africa.

CNG Holdings operates three separate business units:

- **Virtual Gas Networks (Pty) Ltd** - transports CNG by road to customers who are not on the existing gas pipeline network;
- **NGV Gas (Pty) Ltd** - supplies fleet owners, trucks, taxis and cars with natural gas via NGV gas filling stations, retrofits existing traditional filling stations and provides in-house natural gas filling facilities; and
- **CNG Technologies (Pty) Ltd** - supplies CNG equipment, advice and support to help industrial users and transport owners convert to natural gas. It also converts traditional vehicles to run on gas and services natural gas vehicles.

CNG Holdings has rapidly expanded its business to achieve the following milestones:

- Developed a CNG mother station at Langlaagte, Johannesburg;
- Generation of its own power from natural gas to be not reliant on grid power;
- Supply of CNG to numerous industrial customers such as breweries, soft-drink manufacturers, hospitals, etc;
- Developed a flagship vehicle filling station at Langlaagte in 2013 and retrofit of other filling stations in 2014, fuelling:
 - Fuelling 550 vehicles in 2014; and
 - Over 1000 minibus taxis in 2015.

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