



Six Well Drilling Program to Commence at TT CBM Gas Project

HIGHLIGHTS

- Jade Gas to commence drilling this month at its flagship TT CBM Gas Project in Mongolia
- Drilling program builds on the eight well program completed in CY2019
- The six well program to commence is designed to:
 - extend area of investigation, validate gas content, evaluate gas saturation and measure coal seam permeability; and
 - allow for four of the six wells to be cased for extended production testing and monitoring in CY2022
- Market conditions provide a positive backdrop amidst multiple regional energy shortages

Jade Gas Holdings (ASX:JGH) (Jade or the **Company**) is pleased to confirm that it will commence this month a drilling program of six wells at its flagship TT CBM gas project in the South Gobi Basin in Mongolia (**TT CBM Project** or the **Project**). The drilling program is fundamental to the Company's obligations under the CBM Exploration Plan¹ for Year 1 that was approved by the Mongolian regulator, the Mineral Resources and Petroleum Authority of Mongolia (**MRPAM**) earlier in the year. The program builds on the successful eight well program that Jade Gas completed whilst private in CY2019.

Commenting on the drilling program, Jade Executive Director, Joseph Burke, said:

"We are delighted to commence a six well program this month. Importantly, this does three things:

- 1. Builds on our eight well program we completed in CY2019 that established the TT CBM Project had substantial development potential;*
- 2. Provides for up to four wells we can use for extended testing and monitoring of gas flow into CY2022; and*
- 3. Demonstrates to the Mongolian Government that we are dedicated to progressing the TT CBM Project in a methodical, safe and expeditious manner with a view to supporting cleaner energy options for the Country."*

Background

During CY2019, Jade and its joint-venture partner, Erdenes Methane LLC (**EM**), successfully completed the drilling of eight wells to target depths of between 500 metres and 800 metres (refer Technical Expert's Report in Jade Acquisition Prospectus, 14 July 2021). In the report, RISC identified multiple coal seams it considered could be economic for coal seam gas extraction.

¹ CBM Exploration Plan on TAVANTOLGOI Coal Deposits in TSOGTTSETSII SOUM, South Gobi Province, Mongolia in 2021

Directors

In addition to eight wells, indicative gas contents and compositions were measured as part of the CY2019 program and require validation for high-graded seams as part of the upcoming work program.

Work Program

As a result of the successful completion of the ASX listing in October 2021, the program of field activity is set to commence imminently. The work program was approved by the Mongolian regulator, MRPAM, earlier in the year, and is designed to:

1. Provide additional data on the gas content and compositional information in high potential seams to validate and augment information obtained during the CY2019 program (refer to Jade Acquisition Prospectus, 14 July 2021);
2. Determine seam deliverability parameters; and
3. Measure initial pressure within the coal seams and estimate permeability - a key parameter in establishing deliverability potential for CBM projects.

A minimum of six wells will be drilled with coal from the seams of interest being cored and analysed for gas content in an on-site coal desorption laboratory. The Company has, with its technical partners in Australia, shipped various items of high-tech equipment to Mongolia, including desorption equipment for the mobile lab, sophisticated downhole logging tools, and drill stem testing equipment. A programmed series of permeability tests will also be carried out using this equipment, and up to four wells are to be cased for subsequent completion later in CY2022 to obtain longer term production information.

In addition to drilling commencing, camp setup will also commence soon. Invitations to bid for well logging and coal quality analysis have been completed, with the Company finalising contracts to build the necessary infrastructure to support the upcoming field work. Recruitment and training of additional field staff is also advanced, building on the training opportunities provided to the local Mongolian workforce as part of the CY2019 program. The in-country logistics are overseen by Jade's Mongolian-based staff, the majority of which have been with Jade for over two years.

Outlook for Gas in the Region

With growing momentum around the world toward the shift to cleaner fuels, the Company notes that prices for natural gas are at record levels, especially in Asia, with shortages of both gas and oil products in many countries beginning to impact economic growth outlooks. According to market commentators, forecast shortage of supply for the forthcoming winter has seen China's central government instructing the country's state-owned energy companies to secure supplies (including gas) "at all costs"². Many European energy companies are also seeking greater supplies of thermal coal from Russia and elsewhere amidst record prices for thermal coal futures.

These market conditions provide a positive backdrop as Jade advances its TT CBM Project. With a number of international companies now, or soon to be, active in the South Gobi region, the availability and capability of the services sector is strong, and Jade is confident it will be able to carry out its work program as planned. Jade expects interest in the TT CBM Project to be high considering its unique attributes in both the sub-surface characteristics as well as the strategically located clean energy thematic.

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² Bloomberg, China Orders Top Energy Firms to Secure Supplies at All Costs, Alfred Cang, 1 October 2021



JADE GAS

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Figure 1. Location of the TT CBM Gas Project in the South Gobi Basin in Mongolia

About Jade Gas

Jade Gas Holdings Limited is a gas exploration company focused on the coal bed methane (**CBM**) potential of Mongolia. Jade's flagship project is the Coal Bed Methane gas project over the Production Sharing Agreement (**PSA**) area of Tavantolgoi XXXIII unconventional oil basin, (**TT CBM Project**). Jade will operate and manage the project through its subsidiary Methane Gas Resource LLC (**MGR**), a joint venture company (**JV**) partnering with Erdenes Methane LLC (**EM**), the representative of the Mongolian Government. The JV was formed with the intention to explore, develop and produce gas from the TT CBM Project located in the South Gobi region of Mongolia.

Jade's joint venture partner, EM, was awarded a PSA over the TT CBM Project area in April 2020, after completion by MGR of the requirements of a Prospecting Agreement (**PA**) held by JV partner EM over the area. In accordance with the joint venture agreements, Jade managed, fully funded and operated the fulfillment of the PA requirements during that period. Following approval of the Cabinet of Mongolia in October 2020, the PSA rights and obligations were fully transferred to the joint venture company MGR.

It is the strategy of Jade to seek to develop the Project so that gas produced may, in the long term, provide a reliable supply option to the oil and gas product market and to the power sector in Mongolia, both to the capital city of Ulaanbaatar and also into regional areas. Achievement of this strategy would partially displace the use of imported gas and gas liquid products, reduce the use of higher carbon emission emitting fuel sources such as coal and diesel, and not only reduce the air pollution of the capital city of Ulaanbaatar, but also into regional areas as well as mitigating the reliance on imported electricity.

Supporting Mongolia's energy transition is a key priority for Jade, and success will result in:

- Improving Mongolia's energy independence;
- Supports capacity for Mongolia's significant future energy demand growth;
- Decarbonizing the economy by improving the energy mix with cleaner fuel sources; and
- Environmental, health and wellbeing benefits for the people and country of Mongolia.