



## JADE TO FAST TRACK PATH TO GAS PRODUCTION

### Highlights

- Jade moves directly to resource development phase following highly successful results across its gas field that currently extends over 45km
- Faster pathway to gas production is driven by high gas demand from customer markets and is expected to support the conversion of gas sale opportunities in the short-term
- Drilling contractor selected for gas production program to commence in coming weeks
- Strategy funded with remaining A\$7.9M available from UBM

Jade Gas Holdings Limited (ASX:JGH) (**Jade** or the **Company**) is pleased to provide an update on its commercial strategy focused on an accelerated pathway to gas production for its coal bed methane gas project at the Tavantolgoi basin (**TTCBM Project**), in the South Gobi region of Mongolia.

### Faster Path to Gas Production

Over recent months, Jade has considered its development plan options relative to the most appropriate pathway to early gas production. The scale and value of its strong gas results achieved to date (see Figure 1) have provided the Company with a foundation that provides optionality for early gas production. In parallel, Jade has also assessed analogue projects, such as the Panzhuang (**PZ**) and Mabi blocks owned by AAG Energy<sup>1</sup> in the QinShui Basin, China, in order to validate its plans against comparable real world projects (see Table 1). Both PZ and Mabi have strong correlation to the potential development of Jade's TTCBM gas project where the Company sees a clear opportunity to replicate the same rapid development success.

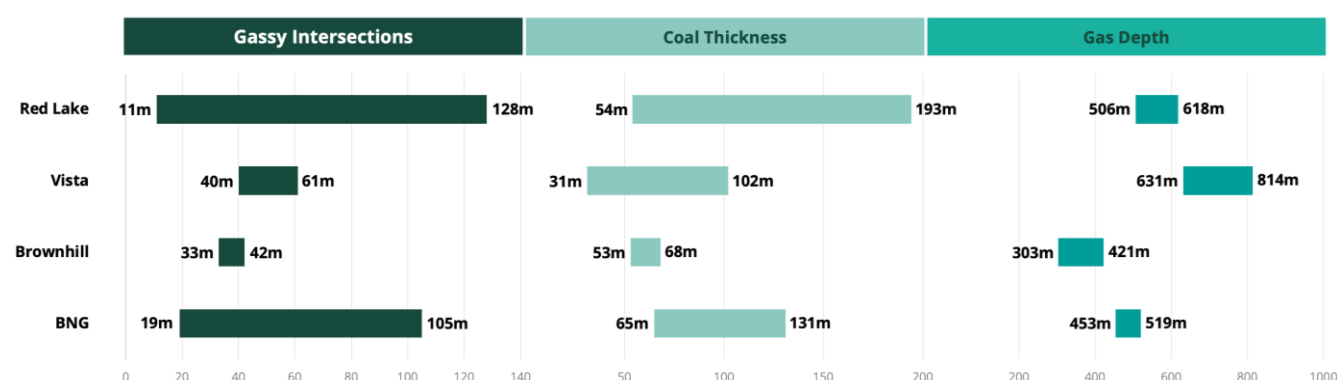


Figure 1: Summary of high-value gas results across Jade's gas assets<sup>2</sup>

<sup>1</sup> AAG is owned by SSE listed Xinjiang Xintai Natural Gas Company, after an acquisition in 2023 valuing AAG at ~US\$795m

<sup>2</sup> Refer to related ASX announcements detailed in Appendix A.

With this, Jade has made the decision to move directly to a production focused resource development phase that will effectively remove the need for a pilot program as was originally planned, subject to any required approvals by the Mineral Resources and Petroleum Authority of Mongolia (**MRPAM**). The Company believes that the results and detailed gas information obtained from its 23 wells drilled to-date in the Red Lake area provide a sufficient platform to proceed directly to production wells. Similar projects with permeability trend and variable gas content have been closely observed which suggests development of Jade's TTCBM Project under a rapid production plan, as seen with analogous PZ and Mabi blocks, can be successfully achieved.

The move to early production is also designed to capitalise on growing customer demand for gas in Mongolia with close markets that demonstrate an immediate and visible need for gas.

**Table 1: Red Lake comparison with analogue field development PZ and Mabi Blocks in China's QinShui Basin**

	Red Lake*	Panzhuang (AAG) <sup>3</sup>	Mabi (AAG) <sup>2</sup>
<b>Area</b>	<b>45 km</b>	63 km	829 km
<b>Net Coal</b>	<b>30-60 m</b>	8-10 m	8-10 m
<b>Gas Content</b>	<b>5-14 m<sup>3</sup>/t</b>	18-21 m <sup>3</sup> /t	5-20 m <sup>3</sup> /t
<b>Permeability</b>	<b>0.01-12 mD</b>	0.01-10 mD	0.01-10 mD
<b>Resource</b>	<b>246 Bcf<sup>4</sup></b>	357 Bcf	745 Bcf

\* TTCBM total permit area is 665km<sup>2</sup>

## High Gas Demand

As announced previously, Jade has entered into various MOU's regarding future gas sales from the TTCBM Project with HK-Listed Mongolian Mining Corporation (**MMC**) (ASX Announcement 29 February 2024), and UB Metan LLC (**UBM**) (ASX Announcement 8 March 2024). Jade's major shareholder, UBM, continues to import Liquefied Natural Gas (**LNG**) from Russia into Mongolia and sees the opportunity to secure supply, improve logistics and financial returns of this business by accessing natural gas produced domestically and importantly close by in the South Gobi region.

Cleaner electricity generation for mining operations, and diesel replacement for haulage trucks remain the two key opportunities available to Jade. The Company has already demonstrated strong market desire to commence displacement of costly and carbon intensive diesel with the Memorandum of Understanding (**MOU**) in March to supply gas to UBM's recently built LNG fuelling station. Jade's other strategic partner, MMC, is also considering the potential for gas in converting its 450 diesel truck fleet and for cleaner energy to power its Mongolian mining operations.

<sup>3</sup> Source: <https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0328/2023032802077.pdf>

<sup>4</sup> Refer ASX Release dated 23 August 2022. The Company confirms that it is not aware of any new information or data that materially affects the information included in this market announcement and that all the material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed.

More broadly, support for gas continues to gain momentum as a critical source of energy toward net zero. The Australian government this week released a medium and long-term strategy that establishes the role gas will play in the transition to net zero by 2050. The analytical findings were clear, in that under all credible net zero scenarios, natural gas is needed through to 2050 and beyond. Gas is recognised as essential for energy systems to achieve net zero. The report can be found at this link:

<https://www.industry.gov.au/sites/default/files/2024-05/future-gas-strategy.pdf>

### **Production Drilling Program**

In line with the Mongolian regulators requirements for an annual tender process, China based drilling services contractor, Yan'an Drilling Wellking Energy Technology Service Company Limited (**DWK**), has been selected to complete a fully integrated drilling program. Historically, Jade looked to employ several contractors working together to execute the drilling services and directional/steering services. Under this production program, DWK will provide all services to Jade resulting in timing efficiencies and complete ownership of delivery. DWK were also selected based on their extensive experience over many years of successful production drilling of over 600 wells alone in the QinShui Basin in China.

The first phase of the program is planned to deliver four horizontal wells that are to be completed as production wells and no longer pilot testing wells. DWK will commence mobilisation of the drill rig and associated equipment to Mongolia in anticipation of starting the program in late Q2 CY2024. Jade and DWK are now in the final stages of well design and planning.

### **Funding**

As announced on 2 November 2023, the Company has obtained financing of A\$11M from strategic shareholder, UBM. To date, A\$3.1m has been drawn down, with the remaining A\$7.9M available to deliver the fully integrated drilling services program. The loan funds are expected to be repaid via the issue of new JGH ordinary shares, subject to shareholder approval at a general meeting expected to be held in July 2024.

### **Commenting on the faster pathway to gas production, Executive Chairman, Dennis Morton, said:**

*"This is an exciting time for all Jade stakeholders as we transition quickly to the resource development phase focused on a faster pathway to gas production. The Red Lake Block is our most developed area within the TTCBM Project and as a stand-alone it stands up impressively with AAG's Panzhuang and Mabi Projects.*

*Strong gas results give us a foundation where we can now replicate the same rapid development success that we have seen across analogue projects with confidence.*

*Importantly, visible demand for gas on our doorstep validates our customer market potential which essentially shows that we have a real project."*

### **In addition Elton Wong, CEO of DWK, said:**

*"DWK is pleased to be part of this exciting development for Jade Gas. Our team will use all its experience from drilling over 600 horizontal wells in the QinShui Basin over the last 10 years, which quickly developed into a key gas supply for northern China.*

*We see many similarities here and are excited to work with Jade and its Mongolian partners to bring this project into production as quickly as possible."*



**- ENDS -**

**Authorised for release on behalf of the Board by Joseph Burke, Executive Director.**

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**Forward Looking Statements**

This announcement contains various statements relating to intentions, future acts and events. These forward-looking statements are expressed in good faith and believed to have a reasonable basis. These statements reflect current expectations, intentions or strategies regarding the future and assumptions based on currently available information. Should one or more of the risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary from the expectations, intentions and strategies described in this announcement. No obligation is assumed to update forward looking statements if these beliefs, opinions and estimates should change or to reflect other future developments.

**About Jade Gas Holdings Ltd**

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, (TTCBM Project). Jade operates and manages the project through its subsidiary Methane Gas Resource LLC (MGR), a joint venture (JV) company partnering with Erdenes Methane LLC (EM), the representative of the Mongolian Government. The TTCBM Project has a 2C Gross Unrisked Contingent Resource of 246 Bcf<sup>5</sup>

Jade also entered into a JV with Hong Kong listed Mongolia Mining Corporation Limited (MMC), for the CBM rights over MMC's Baruun Naran coal mine, immediately adjacent to the TTCBM Project, called the BNG Project. MMC is Mongolia's largest publicly traded miner with a vision is to become the country's largest diversified mining company. With a known coal resource and operating mine at Baruun Naran, Jade is working with MMC to further appraise and determine the commercial pathway for gas in this project.

Furthermore Jade holds two prospective CBM permits, Shivee Gobi and Eastern Gobi. Together the permits cover an area of over 18,000km<sup>2</sup> and are well located within existing coal basins and near coal deposits and mines.

Jade's strategy is to develop all of its projects so that gas produced may, in the long-term, provide an economically viable and reliable supply option to the power and transport sectors in Mongolia, initially in the South Gobi. The Company is pursuing multiple commercialisation options to participate in the heavy vehicle transport and power sectors through both compressed and/or liquified natural gas projects. Achievement of Jade's strategy will displace the heavy reliance on imported gas and gas liquid products, especially diesel fuel, and coal fired power. This will increase the security of energy supply for Mongolia as well as provide significant improvement in air quality and other environmental outcomes.

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<sup>5</sup> Refer ASX Release dated 23 August 2022. The Company confirms that it is not aware of any new information or data that materially affects the information included in this market announcement and that all the material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed.



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

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

**APPENDIX A: Related ASX Announcements - JGH high-value gas results**

Date	Announcement Title
15 March 2022	<a href="#"><u>Outstanding gas composition at Jade's TTCBM Project</u></a>
2 May 2022	<a href="#"><u>Jade Drilling Program Continues to Deliver Strong Results</u></a>
8 November 2022	<a href="#"><u>Jade Gas Continues to Deliver Exploration Success</u></a>
15 November 2022	<a href="#"><u>Jade Gas Field Potential Expands Further East</u></a>
26 April 2023	<a href="#"><u>Jade Gas Continues to Demonstrate Scale Potential at TTCBM</u></a>
6 June 2023	<a href="#"><u>Jade Gas Confirms Highest Permeability Recorded at Red Lake</u></a>
12 July 2023	<a href="#"><u>Jade Gas Continues to Intersect Significant Gassy Coal</u></a>
13 September 2023	<a href="#"><u>Jade Gas Advances Toward Gas Pilot Production</u></a>
19 December 2023	<a href="#"><u>Jade Records Stunning 104.6m Gas Intersection</u></a>