



## Jade Signs 20 Well Gas Production Partnership

### Highlights

- Jade signs non-binding term sheet with Chinese drilling company DWK for a gas production Partnership to develop the Red Lake field
- Under the Partnership, Jade and DWK intend to negotiate a binding agreement with key terms including:
  - DWK to fund the next 20 production wells at Red Lake, conditional on the successful drilling of the current 4 production wells and regulator approval;
  - An appropriate revenue share arrangement on gas sales from the 20 Red Lake wells; and
  - Jade retains project ownership with minimal company funds required for these next production wells and ultimately meaningful revenues
- The initial 4 well production program will commence shortly
- The Partnership covers a small portion of a planned 175 wells at Red Lake however it provides Jade with a pathway to earlier gas sales and long-term optionality with respect to its ability to fund future development across Red Lake and other permit areas

Jade Gas Holdings Limited (ASX:JGH) (**Jade** or the **Company**) is pleased to announce that it has signed a non-binding term sheet for a major gas production partnership with China based Yan'an Drilling Wellking Energy Technology Service Company Limited (**DWK**) to develop Jade's Red Lake gas resource (the **Partnership**).

### DWK Gas Production Partnership

Jade recently appointed DWK as its integrated services contractor (see ASX Announcement 5 June 2024) as the Company moves directly to resource development as a part of its focus on fast tracking the pathway to gas production. During the Red Lake well design and planning phase with DWK for the initial 4 production wells, it was evident that DWK not only understood the technical requirements, but also shared Jade's view on the commercial value of the resource at the Red Lake gas field.

An opportunity to broaden the engagement evolved which will see the Partnership aim to move quickly to develop the next 20 production wells at Red Lake, subject to the successful drilling of the initial 4 production wells, due to commence shortly and regulator approval. The deal will essentially see DWK commit to funding the capital required to drill and commission the next 20 production wells at Red Lake, in return for a share of gas revenue from the 20 wells.

#### Directors

Given DWK's experience in coal bed methane production wells in the Qinshui Basin, the Company sees close similarities between the rapid development at Qinshui in recent years and Jade's Red Lake project. This is a key catalyst driving DWK's confidence to replicate the success at Red Lake.

With the formalising of the Gas Production Partnership there are a number of potential and significant advantages:

- Minimal upfront capital outlay would be required by Jade to deliver a substantial number of production wells and ultimately meaningful first revenues;
- Jade would retain its current project operatorship and ownership stake;
- Provides Jade with a pathway to earlier gas sales and long-term optionality with respect to its ability to fund future development across Red Lake and other permit areas; and
- The Partnership covers only a small portion of the initial phase of development drilling of a plan for 175 wells at Red Lake (subsequent phases of development drilling subject to approval by MRPAM).

The non-binding terms provide that the revenue sharing arrangement and term of the Partnership will be agreed under a binding service and revenue sharing agreement which the parties intend to negotiate and enter before 1 December 2024.

### **Red Lake Development Plan**

The Red Lake area hosts a Gross Contingent Resources estimate of 1C / 118 Bcf, 2C / 246 Bcf and 3C / 305 Bcf<sup>1</sup>, which was the largest Contingent Resources for coal bed methane in Mongolia booked at the time (see ASX Announcement 23 August 2022). In addition to the initial 4 well production program scheduled to commence shortly, Jade's technical planning envisages that a further 171 production wells will be completed during the next phase of the Red Lake development. Partnering with an experienced integrated services company like DWK will help fast track development of the current Red Lake gas resource. Under the Partnership with DWK, 20 production wells are anticipated which makes up only a small portion of the 175 production wells planned.

The planning of the additional 171 production wells will need to be approved as part of the Company's upgrade to its Detailed Environmental Impact Assessment (EIA) which was last approved in 2021.

The DWK Partnership provides a cost effective and low capital dilutive option to develop the Red Lake gas resource. Importantly the 20 production wells offer the ability to achieve first meaningful revenues that could assist to fund future development in the Red Lake area.

### **Commenting on the Partnership with DWK, Executive Chairman, Dennis Morton, said:**

*"This is a significant milestone for the Company that has the potential to fundamentally change the pathway for Jade to achieve meaningful production and revenues from Red Lake.*

*The structure of the Partnership provides a unique way for Jade to transition to a major gas producer in quick time with only a small number of production wells, offering a way to effectively develop the Red Lake area. It*

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<sup>1</sup> The Contingent Resources referred to in this announcement were first reported by the Company on 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.

*is also a partnership model that is well utilised in China and importantly supported the accelerated development of the Qinshui Basin.*

*In recent months, we have validated customer demand for gas in the South Gobi region. Now, this partnership with DWK offers Jade the ability to quickly move to develop the Red Lake gas resource to capitalise on this strong market demand."*

**In addition Elton Dong, CEO of DWK said;**

*"In light of our detailed review of the coal seams and development potential at the TTCBM Project and the similarities we found to our own experience in the Qinshui Basin, DWK felt it was appropriate to establish a long term partnership with Jade that would develop the resource in the fastest and most efficient way.*

*There are significant cost and efficiency advantages for both parties to be achieved in a longer term campaign, and our entire team is looking forward to kicking off the production partnership shortly, and looking to get gas to the customers as soon as possible"*

**Clarification**

In previous announcements, the Company referred to DWK as "Yan'an Drilling Wellking Energy Technology Service Company Limited". DWK's registered name in China is "Yan'an Juntuo Wankun Energy Technology Service Co., Limited" (Unified Social Credit Code number 91610602MAB3A05R74). DWK was established on 22 December 2022. In ASX announcement "Jade to Fast Track Path to Gas Production" dated 5 June 2024, the Company stated that DWK was "selected based on their extensive experience over many years of successful production drilling of over 600 wells alone in the QinShui Basin in China". In the same ASX release the Company also quoted DWK's CEO Elton Dong where he highlighted that the DWK "team will use all its experience from drilling over 600 horizontal wells in the QinShui Basin over the last 10 years". For the avoidance of doubt, the Company selected DWK based on its understanding that DWK's team has extensive drilling experience working on wells across China (including within the Qinshui basin) and with entities other than DWK.

**- 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

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 the 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.



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.