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ASX ANNOUNCEMENT

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Testing confirms Mongolian coal to be highly suitable for Coal Plus conversion

HIGHLIGHTS

- Testing of Mongolian coal proves Mongolian Coal Plus projects to be highly feasible.
- Conversion of the Mongolian coal resulted in substantially higher calorific value and significantly lower moisture and volatile content.
- Under the typical Jatenergy licensing agreement, a proposed 600,000 tonne per annum Coal Plus processing plant could result in a US\$2 million upfront technology payment and ongoing annual royalties of US\$1.76 million to be payable to Jatenergy.
- Investment strategy between Monrospromugoli LCC and Jatenergy to commence immediately.

The Board of Jatenergy Limited ("Jatenergy", the "Company") (ASX:JAT) is pleased to announce that it has just received the results from the testing of the Mongolian coal for Coal Plus conversion. The test results proved the Mongolian projects to be highly feasible by demonstrating that the high moisture, high volatile, low calorific (less than 3,500kcal) Mongolian brown coal can be easily converted into semi coking coal (LV and other high value by-products using the Coal Plus technology).

According to the initial test results, the main features of the Mongolian coal are:

- Higher moisture content: Mt=38.6%;
- Higher volatility: $V_{daf}=49.03\%$;
- Lower calorific value: $Q_{net,ar}=13.549\text{MJ/kg}$ (3238kcal/kg);
- Lower combustion efficiency and poorer thermal stability.

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Based on these characteristics details above, it's demonstrated that the Mongolian brown coal is particularly suitable for producing upgraded coal by the medium-low temperature pyrolysis technology (Coal Plus technology), and meanwhile getting the high value-added clean products pyrolysis oil and gas, which significantly improves the value of the coal.

Report Results

After using the coal Conversion technology on the Mongolian coal, the results from the testing were as follows:

- After processing, the main products from Coal Plus conversion of brown coal are Low Volile Solid Fuel (LVSF), pyrolysis oil, crude benzene and gas. Conversion of brown coal to LVSF is 2.6 tonnes of input brown coal to 1 tonne of LVSF. The as-received basis productivity of pyrolysis coal is 36.6% and pyrolysis oil 2.14%.
- The calorific value of the upgraded coal is increased apparently, from 3,238kcal/kg to 6,666kcal/kg, while the total moisture is decreased from 38.6% to 0.8%, and the volatile matter from 49.03% to 5.7%.
- The produced LVSF (upgraded brown coal) is hard weathered, and not hypergolic i.e. suitable for long-term storage and long-distance transportation. It can be used as clean solid fuel, and as higher combustion efficiency, which will increase the commodity value significantly.
- The upgraded coal can be used widely as granules with ash content less than 13-15%. This can be used as carbon reductant for submerged arc furnace of calcium carbide, ferrosilicon and industrial silicon. It also has application as a PCI (pulverized coal) for blast furnace injection or simply used as a high quality steam coal.
- The calorific value of the resulting gas is 16.424MJ/Nm³(3922kcal/Nm³). It can be used as high calorific value clean gas fuel, or the raw gas for further synthesizing NH₃, methanol or artificial natural gas.



Image 1 & 2 - Existing Coal Plus Plant – Shaanxi, China



Background Information

As announced on 24 September 2013, Jatenergy entered into a binding agreement with Monrospromugoli LCC (MCo) to confirm the suitability of Jatenergy Coal Plus technology in Mongolia. Under the agreement MCo entered into a testing and feasibility study to confirm the results of the simulated commercial Coal Plus process analysis conducted by Jatenergy.

Around Ulaanbaatar, Mongolia there is an abundance of low-rank, high-volatile bituminous coal, which is currently being ineffectively burnt by coal-fired heating companies. This pollution, coupled with other coal power stations in inner Mongolia have left a dangerous haze, which regular covers central and northern Chinese cities including Beijing and Harbin. In response to this issue, the Mongolian private sector and government have been seeking coal upgrading technology to make better use of their resources.

Case Study

The following financial analysis is based on an input of 600,000 tonne of lignite per year being processed through a Coal Plus conversion plant. As demonstrated in the table below, the revenue generated from processing 600,000 tonnes per year of Lignite is US\$41.36 million. Under a typical Jatenergy royalty agreement, the Company would receive a US\$2,000,000 upfront technology payment with US\$7.50 per tonne royalty on revenue generated from of LVSF coal and \$5.00 per tonne royalty on the pyrolysis oil produced. Contracts can vary depending on the location of the projects and the needs of the client.

For the client the revenue returns are shown below. Profit of the process is dependent on the price of the brown coal and country specific operating costs

	t/year	USD/t	Revenue, million USD
OUTPUT			
Pyrolysis oil	22,100	446	9.86
LNG	17,000,000	0.478	8.13
LVSF (Coal)	220,000	95	20.90
	Total		38.89

Table 1 – Revenue and outputs that will be generated from the proposed 600,000 tonne per annum coal plus plant.

Based on the case study above, from a licensing agreement processing 600,000 tonnes per annum of lignite, Jatenergy would typically receive the following:

Once Off Payment

Upfront non-refundable technology payment	US\$2,000,000
TOTAL	US\$2,000,000



Ongoing Annual Payments

Royalties generated from pyrolysis coal produced	US\$1,650,000
Royalties generated from pyrolysis oil produced	US\$ 110,500
TOTAL	US\$1,760,500

This is a significant milestone for the Coal Plus conversion projects which Jatenergy has been actively pursuing. As stated by Executive Chairman Tony Crimmins “This report independently verifies that Coal Plus has potential in Mongolia. Most important is that we have a scalable and inexpensive test to determine the outputs from sampled coal provided to us. It allows us to determine for the client if the deposit site is suitable for Coal Plus and what the general returns, all in a matter of weeks. As the technology is already commercialised and in use in five locations in China for over 4 years, we see high probability of financing this project in Mongolia”.

Jatenergy’s senior process technologist Tam Tran stated that “the results from the test and potential returns have been correctly identified in this report. Coal Plus is suitable for this site and has strong profitable return for the customer”.



Image 3 - A drawing of the proposed integrated 600,000 tonne per annum coal plus plant

With the successful testing of Mongolian coal for Coal Plus conversion, MCo and Jatenergy are approaching debt and equity investment before finalising a formal agreement. As stated by MCo Business Manager, Otto Khurts, “We are very pleased with the outcome of the coal testing and look forward to working with Jatenergy to improve the ongoing pollution problem surrounding Inner Mongolia”.

Coal Plus Technology

The Coal Plus technology is a proprietary coal upgrading technology which converts low value brown coal into high value energy products. Unlike existing coal upgrade technologies, which are mostly at pilot plant stage, Coal Plus technology is proven and there are currently five commercial plants operating, with the

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latest built in Pingdinshan, China at the end of September 2013. The sixth Coal Plus plant is the most ambitious to date, currently being built in Mongolia (area) this plant is proposed to handle 10 million tonnes of input coal (built in two stages) for conversion to LVSF coal (semi-coking coal). Jatenergy currently has the license for the technology in Asia with the option to expand this license.

The diagram below show the products that can be derived from Coal Plus technology in relation to air pollution concerns in Mongolia.

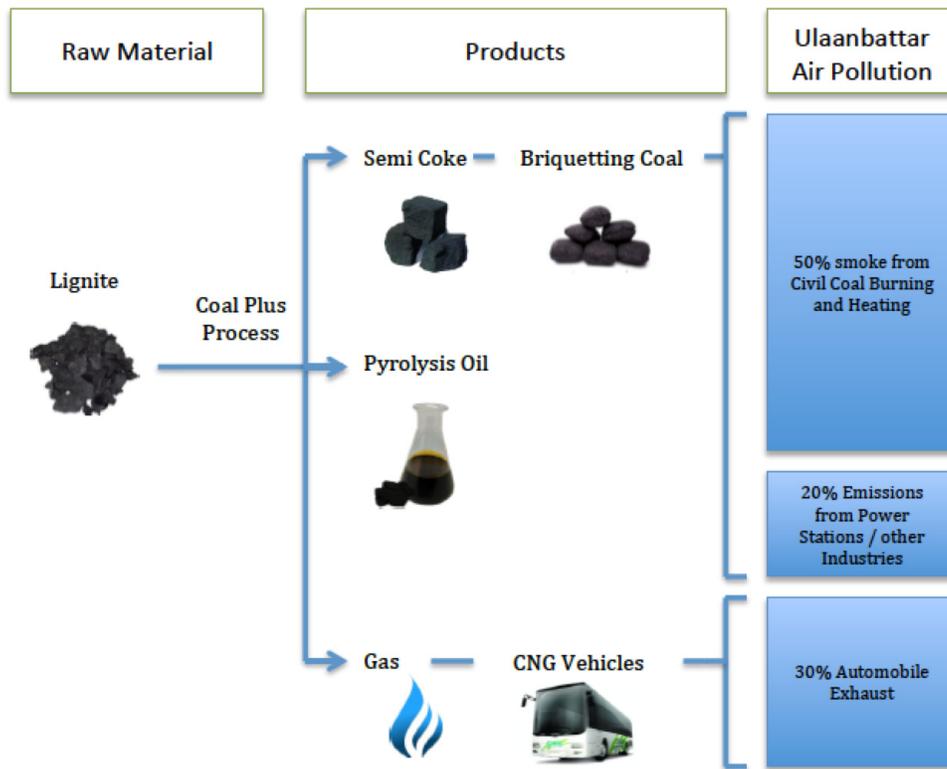


Image 4 - Feasible products from Coal Plus Technology

About Jatenergy

Jatenergy Limited is a Sydney-based diversified energy company operating in both Australia and Asia. Jatenergy's strategic focus is on producing cash returns from its coal and Jatropa assets as well as implementing the proprietary Coal Plus technology for upgrading low grade coal into high value energy products.

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