



Elixir Energy

ASX ANNOUNCEMENT

ASX : EXR

29 JANUARY 2021

**QUARTERLY ACTIVITIES REPORT FOR THE
PERIOD ENDED 31 DECEMBER 2020**

HIGHLIGHTS

-) Ongoing successful appraisal and exploration wells
-) \$8 million raised from conversion of listed options
-) Prospective resources substantially increased

MANGAGING DIRECTOR'S REPORT TO SHAREHOLDERS FOR THE QUARTER

Recently we were very pleased to receive an award from Mongolia's Ministry of Mining & Heavy Industry as the "Best Investor of 2020" in the country's petroleum sector. This reflected last year's efforts of our team in Mongolia and Australia in prosecuting a successful exploration/appraisal campaign whilst facing major head-winds from the worst global pandemic in a century.



Minister G Yondon (right) presenting the award to our Country Manager, Mr B Achitsan

The holders of Elixir's listed options also recently made a very strong vote of confidence in the company's future – 99.7% of them exercised their options by the year end expiry date, putting \$8 million in cash into the company's bank account. This will fully finance our forward work program for the foreseeable future.

Towards the end of last year we released an updated independent prospective resource report for our CBM PSC in Mongolia. Quite simply what it demonstrated was that the work undertaken in the prior year and a half had had a material impact on de-risking the resources. And the work program which delivered this was done at very modest cost for the petroleum sector.

In the last quarter our 2020 work program concluded with 3 successful strat-holes. Two of these extended our knowledge over the Nomgon sub-basin, whilst the Yangir 1S strat-hole encountered thick and visibly gassy coals in a new sub-basin. Our opening plans for 2021 involve a return to Yangir to drill a fully tested core-hole.

Overall the 2021 work program will be significantly expanded from that undertaken last year. We will seek to continue to explore and appraise across the vast 30,000 km² PSC, drilling around 15 wells and acquiring around 200 kilometres of 2D seismic. The drilling program will include the first pilot production test program in Mongolia.

In parallel we will continue to develop commercial offtake options. In addition to the small scale LNG plant project that we fore-shadowed last year, modular gas fired generation will be a key focus. This is intended to replicate the tried and trusted Australian CBM-to-gas-generation model under which early cash-flows can be produced whilst at the same time improving confidence in gas production profiles. Our initial contingent resource (and if successful, reserves) bookings will centre around these commercial plans.

COVID has of course not gone away with the entering into of a new year. Our planning for 2021 seeks to minimise the limitations associated with the pandemic (e.g. in terms of greatly restricted travel, disrupted supply chains, etc) – all from the platform of a strong and growing team in Mongolia itself. No doubt the year ahead will deliver some new challenges, but our experiences in 2020 demonstrates a strong ability to adapt and still make material progress.

In the longer term, we consider that some of the main macro consequences of the pandemic actually reinforce the merits of our strategy of exploring for gas just North of the Chinese border. These include:

- J The acceleration in the World's de-carbonisation efforts (through supplying gas to Mongolia and China which should replace more polluting coal); and,
- J China's new "dual circulation" geo-political and economic strategy (which should increase its appetite for low sovereign risk gas from Mongolia).

Elixir has recently commenced measuring its progress on meeting best practice on the important "ESG" (Environmental Social Governance) front, which key stakeholders such as investors and Governments are increasingly demanding. This progress will be reported quarterly on our website and the first report is available here - <https://socialsuitehq.com/wp-content/uploads/2021/01/Socialsuite-ASX-ESG-early-adopters-report.pdf>

MONGOLIAN GAS EXPLORATION – 100% INTEREST IN CBM PSC

Elixir Energy Limited (“Elixir”) has a 100% interest in the Nomgon IX CBM PSC, located proximate to the Chinese border in Mongolia’s South Gobi region. The 30,000 square kilometre PSC was entered into with the Mongolian Government in September 2018 and has a minimum ten year exploration period and a thirty year (extendable) production period.

During the quarter the Company undertook exploration and appraisal work on the PSC, with a focus on the following areas:

-) Geological survey work.
-) Finalising various laboratory testing of the Nomgon-2 appraisal core-hole well.
-) The drilling of the Nomgon 5S, Hutul 1S and Yangir 1S strat-hole wells.
-) Planning for the 2021 work program.

All work was undertaken safely, without environmental incident and in accordance with COVID-19 related protocols.

The key results obtained in the quarter were as follows:

-) Measurements of gas saturation levels in the Nomgon-2 core-hole well indicated full gas saturation levels.
-) The Nomgon 5S strat-hole intersected of 47 metres of net coal.
-) The Yangir 1S strat-hole, which was drilled in a new sub-basin, measured 27 metres of net coal.
-) The Hutul 1S strat-hole, drilled at what was estimated to be the possible Eastern extension of the Nomgon sub-basin, measured 6 metres of net coal.

OTHER ASSETS

Elixir’s only remaining legacy interest outside of the Nomgon PSC is a long established US domiciled subsidiary, Cottesloe Oil & Gas LLC. This company has no assets other than an escrowed cash bond pledged to a third party worth ~US\$580,000, whose purpose is to cover a possible abandonment liability of a similar amount. Elixir continues to discuss with various counterparties in the USA as to how best this legacy matter can be effectively cleaned up.

CORPORATE AND FINANCIAL

Capital raising

During quarter and since the quarter end a total of 118,174,193 listed Elixir options were exercised and \$8 million was received by the Company. Those options that were not exercised by 31st December 2020 (a total of 392,424) expired with the passing of that date.

Changes in Issued Capital

| | Number |
|---|---------------|
| Opening ordinary shares 1 October 2020 | 699,231,767 |
| Listed EXROA options exercised | 110,766,303 |
| Closing ordinary shares on 5 January 2021 | 809,998,070 |

The fully diluted equity structure of Elixir as at 31 December 2020 was as follows:

| Security type | Number |
|----------------------------|-------------|
| Ordinary shares | 804,048,448 |
| Class C performance rights | 16,000,000 |
| Unlisted employee options | 12,630,000 |

The fully diluted equity structure of Elixir after the exercise of the listed options, as at 5 January 2021 was as follows:

| Security type | Number |
|----------------------------|-------------|
| Ordinary shares | 809,998,070 |
| Class C performance rights | 16,000,000 |
| Unlisted employee options | 12,630,000 |

Financial

Elixir's cash reserves as at 31 December 2020 were \$9.37 million. The Company has no debt.

During the quarter, the Company spent \$0.69 million on exploration activities, primarily on drilling and ancillary costs.

Board and Management

Non-executive Director Ms Anna Sloboda was appointed to the Board on 1 October 2020. Anna is a joint Belarusian/Australian citizen and has over 20 years' experience in corporate finance, and in developing junior resource companies operating around the world. Anna has a Master of Economics from Belarusian University and an Executive MBA from Melbourne Business School.

Anna is currently an Executive Director of Red Citadel Resources Pty Ltd, a private owned mineral resources exploration company with a range of projects in Africa and South America. She also serves as an Advisory Committee Member, Maritime Archaeology, at the Western Australian Museum. Previously she was a co-founder of Trans-Tasman Resources Ltd, and in that capacity had substantial experience in dealing with Chinese off-takers and partners. Other prior employers include Lehman Brothers, Clough and Curtin University.

Annual and other General Meetings

No General Meetings were held during the quarter.

Appendix 5B Disclosures

The attached Appendix 5B includes an amount of \$247,999 in items 6.1 and 6.2 (total) which constitutes salary and an annual bonus for the Managing Director and non-executive director fees paid during the quarter. In addition, \$32,516 was paid to Key Management Personnel for services provided. There were no other related party transactions.

SUMMARY OF PETROLEUM TENEMENTS HELD AS AT 31 DECEMBER 2020

| | % Interest | Tenement | Location |
|--------------------------------|------------|----------------------|-------------------|
| Held at end of quarter | 100% | Nomgon IX CBM PSC | Southern Mongolia |
| Acquired during quarter | - | - | - |
| Disposed during quarter | - | - | - |



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By authority of the Board:

Neil Young - *Managing Director*
Elixir Energy Ltd (ABN 51 108 230 995)
Unit 3B Level 3, 60 Hindmarsh Square
Adelaide SA 5000, Australia

For further information, please visit the Company's website at www.elixirenergy.com.au

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

| | | |
|------------------------------|--|-----------------------------------|
| Name of entity | | |
| Elixir Energy Limited | | |
| ABN | | Quarter ended ("current quarter") |
| 51 108 230 995 | | 31 December 2020 |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (6 months) \$A'000 |
|--------------------------------------|---|----------------------------|---------------------------------------|
| 1. | Cash flows from operating activities | | |
| 1.1 | Receipts from customers | - | |
| 1.2 | Payments for | | |
| | (a) exploration & evaluation (if expensed) | - | |
| | (b) development | - | |
| | (c) production | - | |
| | (d) staff costs | (208) | (277) |
| | (e) administration and corporate costs | (35) | (273) |
| 1.3 | Dividends received (see note 3) | - | - |
| 1.4 | Interest received | 1 | 2 |
| 1.5 | Interest and other costs of finance paid | | |
| 1.6 | Income taxes paid | | |
| 1.7 | Government grants and tax incentives | 9 | 46 |
| 1.8 | Other (provide details if material) | | |
| 1.9 | Net cash from / (used in) operating activities | (233) | (502) |

| | | | |
|-----------|---|-------|---------|
| 2. | Cash flows from investing activities | | |
| 2.1 | Payments to acquire: | | |
| | (a) entities | - | - |
| | (b) tenements | - | - |
| | (c) property, plant and equipment | - | - |
| | (d) exploration & evaluation (if capitalised) | (689) | (1,493) |
| | exploration rent and other local fees | - | - |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (6 months) \$A'000 |
|---|---|----------------------------|---------------------------------------|
| | (e) investments | | |
| | (f) other non-current assets | | |
| 2.2 | Proceeds from the disposal of: | | |
| | (a) entities | | |
| | (b) tenements | | |
| | (c) property, plant and equipment | | |
| | (d) investments | | |
| | (e) other non-current assets | | |
| 2.3 | Cash flows from loans to other entities | | |
| 2.4 | Dividends received (see note 3) | | |
| 2.5 | Other (provide details if material) | | |
| 2.6 | Net cash from / (used in) investing activities | (689) | (1,493) |
| 3. Cash flows from financing activities | | | |
| 3.1 | Proceeds from issues of equity securities (excluding convertible debt securities) | 7,444 | 8,065 |
| 3.2 | Proceeds from issue of convertible debt securities | | |
| 3.3 | Proceeds from exercise of options | | |
| 3.4 | Transaction costs related to issues of equity securities or convertible debt securities | - | (4) |
| 3.5 | Proceeds from borrowings | | |
| 3.6 | Repayment of borrowings | | |
| 3.7 | Transaction costs related to loans and borrowings | | |
| 3.8 | Dividends paid | | |
| 3.9 | Other (provide details if material) | | |
| 3.10 | Net cash from / (used in) financing activities | 7,444 | 8,061 |
| 4. Net increase / (decrease) in cash and cash equivalents for the period | | | |
| 4.1 | Cash and cash equivalents at beginning of period | 2,841 | 3,299 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (233) | (502) |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (6 months) \$A'000 |
|--------------------------------------|---|----------------------------|---------------------------------------|
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | (689) | (1,493) |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | 7,444 | 8,061 |
| 4.5 | Effect of movement in exchange rates on cash held | 10 | 8 |
| 4.6 | Cash and cash equivalents at end of period | 9,373 | 9,373 |

| 5. | Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | Current quarter \$A'000 | Previous quarter \$A'000 |
|------------|---|----------------------------|-----------------------------|
| 5.1 | Bank balances | 9,353 | 2,821 |
| 5.2 | Call deposits | 20 | 20 |
| 5.3 | Bank overdrafts | - | - |
| 5.4 | Other (provide details) | - | - |
| 5.5 | Cash and cash equivalents at end of quarter (should equal item 4.6 above) | 9,373 | 2,841 |

| 6. | Payments to related parties of the entity and their associates | Current quarter \$A'000 |
|-----|--|----------------------------|
| 6.1 | Aggregate amount of payments to related parties and their associates included in item 1 | 235 |
| 6.2 | Aggregate amount of payments to related parties and their associates included in item 2 | 45 |

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Total payments of \$281k to related parties for the quarter consisted of:

-) non-executive directors' fees and executive director salaries in item 1 \$208k
-) Capitalised executive directors' salaries in item 2 \$40k
-) Key Management fees in item 1 \$27k
-) Key Management fees in item 2 \$5k

| 7. | Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i> | Total facility amount at quarter end \$A'000 | Amount drawn at quarter end \$A'000 |
|-----------|---|---|--|
| 7.1 | Loan facilities | - | - |
| 7.2 | Credit standby arrangements | - | - |
| 7.3 | Other (please specify) | - | - |
| 7.4 | Total financing facilities | - | - |
| 7.5 | Unused financing facilities available at quarter end | | - |
| 7.6 | Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well. | | |
| | | | |

| 8. | Estimated cash available for future operating activities | \$A'000 |
|-----------|---|----------------|
| 8.1 | Net cash from / (used in) operating activities (Item 1.9) | (233) |
| 8.2 | Capitalised exploration & evaluation (Item 2.1(d)) | (689) |
| 8.3 | Total relevant outgoings (Item 8.1 + Item 8.2) | (922) |
| 8.4 | Cash and cash equivalents at quarter end (Item 4.6) | 9,373 |
| 8.5 | Unused finance facilities available at quarter end (Item 7.5) | - |
| 8.6 | Total available funding (Item 8.4 + Item 8.5) | 9,373 |
| 8.7 | Estimated quarters of funding available (Item 8.6 divided by Item 8.3) | 10.17 |
| 8.8 | If Item 8.7 is less than 2 quarters, please provide answers to the following questions: | |
| | 1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not? | |
| | Answer: N/A | |
| | 2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful? | |
| | Answer: N/A | |
| | 3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis? | |
| | Answer: N/A | |

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

29 January 2021

Date:

By the Board

Authorised by:
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – e.g. Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.