



26 JULY 2022

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 30 JUNE 2022

HIGHLIGHTS

- MOU signed with SB Energy Corp. to progress Gobi H2 project
- Extended pilot production project on track
- Exploration and appraisal drilling campaign ongoing

MANGAGING DIRECTOR'S REPORT TO SHAREHOLDERS FOR THE QUARTER

A highlight for the quarter was the signing of a joint Memorandum of Understanding (MOU) with SB Energy Corp. (SBE), a wholly owned subsidiary of Japan's SoftBank Group Corp.

In our view this is a significant endorsement of the strategic rationale that underpins our *Gobi H2* green hydrogen project – namely the locational advantages of Southern Mongolia as a future green hydrogen export hub.

We are now working with SBE to progress pre-feasibility studies and other work in order to first realise a small-scale pilot project, with the eventual goal of jointly developing a gigawatt-class green hydrogen production project in Mongolia.

We closely monitor hydrogen related policy and business developments in China. These are generally not reported upon much in Western media – but we are pleased to note very substantial moves in this area. Last month the Chinese Government released its latest renewable energy five year plan. Two elements were worthy of particular note – namely the strong promotion of green hydrogen - and emphasis on energy security.

Our view is that China views energy sources derived from Mongolia – coal and crude oil at present – and if our plans are successful, methane and hydrogen in the future – as coming from a very secure location.

The longer term plans for the *Gobi H2* project envision delivering hydrogen by pipeline to customers in China – a far cheaper delivery mechanism than seaborne hydrogen. This is an area that China is strongly promoting – at present the country already hosts 8 pure hydrogen pipeline projects in operation and under development (and a number of blended methane/hydrogen pipelines as well).



Elixir's CEO recent visit to SBE's wind-farm in the South Gobi

We are progressing our more mature gas project (in the form of methane) in Southern Mongolia side-by-side with the *Gobi H2* project. Indeed, we find that there are material synergies between the two projects in areas such as local Government and community relationship management, water exploration, etc.

Our key focus in the Nomgon CBM PSC in 2022 is our first extended production project, whose aim is to demonstrate sustained commercial flow-rates of gas. We are on track to spud the two production wells that underpin the pilot in August. Thereafter we will install pumps and produce water – then gas – over a period of some months in order to establish a production curve.

ASX ANNOUNCEMENT

We have procured the equipment required for this project from various countries, including Australia, India and China. Delivering this to Mongolia, given the COVID related issues affecting global supply chains in general and Chinese border controls in particular, has required considerable planning. We are pleased to note that the project is still on track for pumping to start once the wells are drilled.



Pilot production pad under construction

In parallel, our earlier stage exploration and appraisal program has continued in various locations across the vast PSC and we currently have three rigs drilling. Progress has occasionally been slow as new rigs work their way through shakedown, and the Company is addressing the relevant issues with its drilling sub-contractors.

Such drilling programs never achieve 100% success rates, but we are pleased to note that we are generally discovering coals at the depths required for successful CBM production in new sub-basin areas.

Naturally further appraisal work is required to mature these and we can readily adapt our program as the owner of 100% of the PSC to focus on particular areas.

We believe that as the methane resources are matured – particularly through the extended pilot production project – then that will attract growing interest from parties such as potential partners, offtakers, etc. Considerations of energy security will likely again be a key factor in the eyes of such parties.

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.

The PSC has a minimum ten year exploration period and a thirty year (extendable) production period. Elixir is currently ahead of its exploration expenditure commitments under the PSC, even notwithstanding the force majeure event caused by COVID-19 in recent years.

During the quarter the Company progressed its exploration and appraisal program for 2022, as follows:

- Preparing for the Company’s extended pilot production project. Elixir is on track to commence the drilling of two production wells in August. A key focus has been managing the procurement and delivery of specialist equipment for the program in the context of ongoing COVID (and now Ukraine war) related supply chain disruptions. Although challenging, this has gone to plan.
- Drilling the Tim-2 appraisal well. This well followed up on the successful Tim-1 exploration well, which discovered a new coal-bearing sub-basin.
- Drilling the Bulug-Suuj-1 exploration well, which also discovered a new coal-bearing sub-basin. This is currently being followed up with the Bulug-Suuj-2 appraisal well.
- The Venetian-1 exploration well has recently drilled to total depth and is currently being logged.
- Appraisal drilling in the Yangir coal-bearing sub-basin has been slow due to drilling various issues. The Yangir-4 appraisal well encountered coals but did not ultimately drill to its planned total depth. The Yangir-5 appraisal well is currently being drilled.
- Completing the acquisition of a 322 kilometre 2D seismic program in various locations across the PSC. This is currently being processed and interpreted – and will feed into future exploration drilling plans.
- Field mapping across various areas in the PSC.

All work was undertaken safely, in accordance with local community expectations and without environmental incident.

GOBI H2 PROJECT

During the quarter the Company continued to progress its green hydrogen project in Mongolia – the *Gobi H2* project, with the following highlights:

- Execution of a MOU with SB Energy Corp. (SBE), a wholly owned subsidiary of Japan’s SoftBank Group Corp.
- Under the terms of the MOU, the Parties will undertake specific pre-feasibility tasks to investigate the feasibility of green hydrogen production in the South of Mongolia. The intent is to first realise a small-scale pilot project with the eventual goal of jointly developing a gigawatt-class project.
- Both parties are currently gathering renewable energy data in the region. Elixir’s deployment of Australian SODAR equipment has recently been expanded with the addition of two new units to the country.
- Elixir has identified sites with local water drilling experts for water exploration drilling, which is due to commence in the third quarter.

- Progressing a pre-feasibility engineering study on the proposed ~10 MW electrolyser pilot project.
- Under the MOU, SBE will identify potential offtakers in Mongolia and internationally, interested in the project.
- Ongoing engagement with local Governments and communities.
- Jointly updating various international and local financial institutions based in Ulaanbaatar, particularly in light of the SBE MOU.

OTHER ASSETS

Elixir's longstanding US subsidiaries remained dormant.

CORPORATE AND FINANCIAL

Capital raising

There was no capital raising during the quarter.

Changes in Issued Capital

There were no changes in issued capital in the quarter. The fully diluted equity structure of Elixir as at 30 June 2022 was as follows:

Security type	Number
Ordinary shares	891,733,376
Unlisted performance rights	26,200,000
Unlisted employee options	6,330,000

Financial

Elixir's cash reserves as at 30 June 2022 were \$22.7 million. The Company has no debt.

During the quarter, the Company spent \$2.1 million on exploration activities, primarily on drilling, seismic acquisition/processing, G&G and other ancillary costs.

Board and Management

No changes to Board and Management occurred in the quarter.

Annual and other General Meetings

There were no General Meetings held during the quarter.

Appendix 5B Disclosures

The attached Appendix 5B includes an amount of \$184,586 in item 6.1 which constitutes compensation for the Managing Director and non-executive director fees paid during the quarter. In addition, \$44,130 was paid to Key Management Personnel for services provided. There were no other related party transactions.

SUMMARY OF PETROLEUM TENEMENTS HELD AS AT 30 JUNE 2022

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

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		30 June 2022

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation (expensed)	-	-
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(185)	(809)
	(e) administration and corporate costs	9	(834)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	17	39
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities	(159)	(1,604)

2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	(32)	(64)
	(d) exploration & evaluation (capitalised)	(2,060)	(8,059)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 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	(2,092)	(8,123)
3. Cash flows from financing activities			
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
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	-	-
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	-	-
4. Net increase / (decrease) in cash and cash equivalents for the period			
4.1	Cash and cash equivalents at beginning of period	25,307	32,780
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(159)	(1,604)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,092)	(8,123)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	(377)	(374)
4.6	Cash and cash equivalents at end of period	22,679	22,679

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	22,659	25,287
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)	22,679	25,307

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	229
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<p>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</p> <p>Total payments of \$229k to related parties for the quarter consisted of:</p> <ul style="list-style-type: none"> • non-executive directors' fees and executive director salaries in item 6.1 \$185k • Key Management fees in item 6.1 \$44k 		

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)	(159)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	(2,060)
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(2,219)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	22,679
8.5	Unused finance facilities available at quarter end (Item 7.5)	-
8.6	Total available funding (Item 8.4 + Item 8.5)	22,679
8.7	Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	10.22
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.

26 July 2022

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.