



Elixir Energy

ASX ANNOUNCEMENT

ASX : EXR

31 OCTOBER 2022

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2022

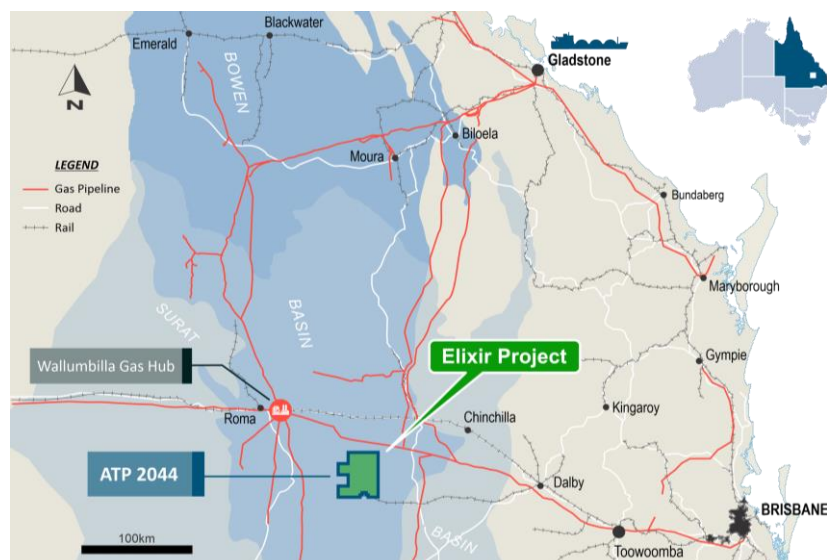
HIGHLIGHTS

- Highly prospective licence acquired in Queensland
- Extended pilot production project on track in Mongolia
- Pre-feasibility work on Gobi H2 project provides promising data

MANGAGING DIRECTOR'S REPORT TO SHAREHOLDERS FOR THE QUARTER

The geo-political and economic events of 2022 have greatly reinforced the value of energy supply security in many ways. Over multiple time horizons, consumers and Governments are increasingly valuing those energy supply sources that are reliable, resilient and adaptable. These features equally apply to the petroleum fuels that the world still needs for many decades to come and the new sources of energy that are needed to complement and ultimately replace them.

In the last quarter, Elixir acquired a highly prospective – and very well located – gas asset in Queensland. The essential features of this licence (a 100% interest in ATP 2044 in Queensland's Taroom Trough) are very much in tune with this fundamental energy supply security dynamic.



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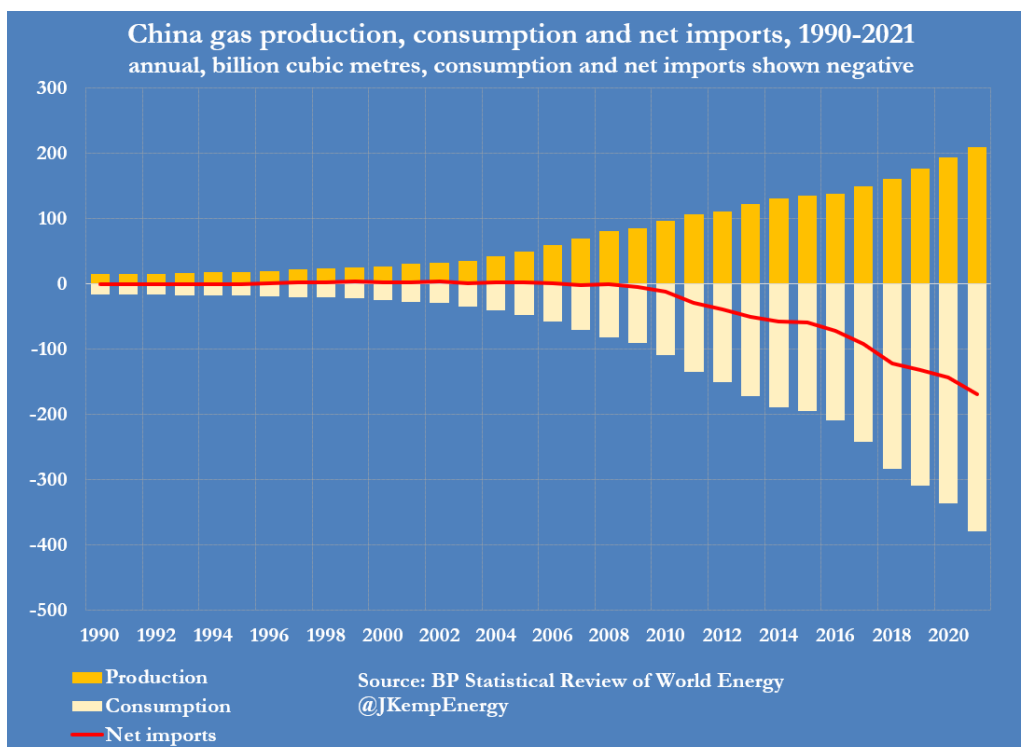
Russia has dealt itself out of supplying gas in the long term to many current customers. Global gas supplies are adjusting accordingly – and gas from a safe location such as Australia is now structurally more valuable. ATP 2044 is very well placed to access domestic and international markets through adjacent pipeline infrastructure that is directly connected to both the Eastern Australia domestic customers and to the liquefaction plants at Gladstone that have growing spare capacity.

The potential resources in the tenement are very substantial – with an unrisks mean case prospective (i.e. as yet undiscovered) resource of in excess of three trillion cubic feet of gas (as announced to the ASX on 29 August 2022).

The Taroom Trough was the subject of an extensive appraisal program by BG Group (now Shell) around a decade ago. Accordingly, it is not a greenfield exploration target – rather it requires a less risky appraisal approach. Elixir plans to drill ATP 2044 next year and understands that one or more major nearby operators plan to do the same. Success in these various appraisal projects should allow gas to be developed and delivered to international and local markets in relatively short timeframes for the gas industry. As an unconventional onshore play, gas developments can then be synchronized with changing market conditions without the immense up-front capital requirements of new offshore or remote onshore plays.

Gas discovered in the Taroom Trough contains only immaterial quantities of carbon dioxide – hence it has a minimal scope 1 and 2 emissions profile and avoids material processing costs. Additionally, associated condensate (light oil) not only assists with field development economics but also is simple to process.

Turning to Mongolia and its vast southern neighbour, energy supply security is as important – if not more so – for China as it is for the likes of European and East Asian countries impacted by the Ukraine war. China is increasingly reliant on imported gas, as its demand for this key transition fuel is increasing at a far higher pace than local supplies can keep up with. The following graph shows a very strong historical trend of rising gas imports as demand grows much faster than local supply. We expect these fundamentals to continue.



From the point of view of Chinese gas buyers, new sources in Mongolia are nearly as good as indigenous supplies, in terms of not only lower costs of delivery, but also security of supply.

Elixir's gas exploration and appraisal efforts in Southern Mongolia are therefore very timely – particularly the Nomgon pilot production project – which is intended to flow water then gas in the next few months. A successful outcome for this project will demonstrate a material de-risking of the gas resource potential in Elixir's Nomgon CBM PSC.

Our exploration and appraisal drilling has been run in parallel with the more substantial drilling and other works underpinning this pilot program. Recent wells in the Big Slope location have identified a potential candidate for a new pilot program in the future – further work is required to determine this.

Notwithstanding the very strong reminder that 2022 has delivered to the world that petroleum fuels are still very much required for many years to come, our *Gobi H2* green hydrogen project also has very strong energy supply security elements.

The most obvious is again locational. There is arguably no better place to supply China's future hydrogen import needs than Southern Mongolia – from cost and geo-political security grounds. And notwithstanding the strong demand for gas for the medium term, climate change concerns and petroleum resource depletion have not gone away. Green hydrogen is widely considered to be a key tool for mankind to deal with these challenges.

Following the execution of the *Gobi H2* MOU with SB Energy Corp last quarter, we have been working closely together to pursue various pre-feasibility works – ultimately with a view to determining early next year whether it makes commercial sense to accelerate the project through a more formal partnership.

The key ingredients for a successful green hydrogen project – access to water, very high quality renewable resources, proximity to various markets, few competing land uses, wide stakeholder support, etc – are all being successfully validated to date.

The next few months for Elixir are therefore primed to demonstrate a number of potentially major value changing events:

1. Appraisal drilling in ATP 2044 next year.
2. Gas flow rates in Nomgon in coming months.
3. Further pre-feasibility results for *Gobi H2* to provide a foundation for a next stage partnership.

The Company's balance sheet remains strong with \$19 million of cash on hand as at the end of the quarter. We expect non-equity funding of various types to be available for the ATP 2044 and the *Gobi H2* pilot projects.

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 substantially 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 pursued its ongoing exploration and appraisal program for 2022, as follows:

- Progressing the Company's extended pilot production project. Two production wells, Nomgon-8 and Nomgon-9, have been drilled as at the date of this report. The pumping of water – and then gas – from these wells is due to commence in or around the next month.
- Exploration drilling in a new sub-basin called Big Slope in (and after) the quarter was successful, with thick gas bearing coals identified. Appraisal drilling in this area is ongoing.
- The Venetian-1 exploration well encountered coals in the CBM window in the quarter. Further work is required in this area to determine prospectivity.
- Drilling in the coal bearing Yangir sub-basin was impacted by various rig problems. The Company plans to return to this area next year to further appraise it.
- The Bulug-Suuji and Orio exploration wells did not identify coals in the gas bearing CBM window.
- The 322 kilometre 2D seismic acquired in various locations across the PSC earlier in the year has now been interpreted and its results will feed into future 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.

ATP 2044

During the quarter the Company acquired a 100% interest in ATP 2044, a petroleum exploration permit located in Queensland. The purchase was effected through the acquisition of the special purpose company that owns the permit, EnergyCapture Pty Ltd. Consideration for the purchase was:

- Cash of \$500,000.
- The issue of 20,703,934 ordinary shares.
- The grant of an over-riding royalty of 3.5% on liquids sales from the licence area.

ATP 2044 overlies ~1,000 square kilometres of a deep Permian gas play called the Taroom Trough, which was the target of a multiple well program drilled around a decade ago by BG Group (now Shell). That program flowed gas to surface from multiple wells.

The Company plans to drill an appraisal well (Daydream-2) in ATP 2044 in 2023, subject to rig availability.

Elixir has commenced engagement with the relevant sub-contractors required for this well, focusing on those who will be doing work for the large Operator who is also undertaking work in the Taroom Trough next year.

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:

- Elixir and SB Energy Corp. (SBE - a wholly owned subsidiary of Japan's SoftBank Group Corp), pursued the tasks assigned to each party under the MOU executed in the previous quarter.
- The results of a pre-feasibility engineering study into a pilot green hydrogen production project are expected shortly. These will inform discussions with customers about potential offtake arrangements, which if successful will underpin Elixir and SBE considering a move from the current non-binding MOU stage into more firm partnership arrangements in 2023.
- Elixir announced the results of its first full year of wind monitoring in the quarter, with excellent results being recorded. The company has now deployed 3 Australian SODAR installations to measure wind speeds across a broad arc in the South Gobi area that would be suitable for future green hydrogen production.
- Elixir commissioned water exploration drilling in the quarter, with some success. This served to demonstrate the ability to discover new water resources in the Gobi region which could provide feedstock for the pilot and longer term green hydrogen production projects.
- The parties continued to promote ongoing education and engagement with Governments of various levels and local communities.
- Elixir and SBE consider that their planned pilot program should be project financeable and accordingly regularly update various international and local financial institutions based in Ulaanbaatar on the pilot project.

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

	Number
Opening ordinary shares 1 July 2022	891,733,376
Shares issued	20,703,934
Closing ordinary shares on 30 September 2022	912,437,310

In the quarter 20,703,934 ordinary shares were issued as consideration for the Australian company EnergyCapture Pty Ltd.

The fully diluted equity structure of Elixir as at 30 September 2022 was as follows:

Security type	Number
Ordinary shares	912,437,310
Unlisted performance rights	26,200,000
Unlisted employee options	6,330,000

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Financial

Elixir's cash reserves as at 30 September 2022 were \$19 million. The Company has no debt.

During the quarter, the Company spent \$2.6 million on exploration activities, primarily on drilling, seismic acquisition/processing, G&G and other ancillary costs.

In addition, the Company paid \$0.5m in cash for as part of the consideration for the acquisition of an exploration asset, ATP 2044.

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 \$221,250 in item 6.1 which constitutes compensation for the Managing Director and non-executive director fees paid during the quarter. In addition, \$58,788 was paid to Key Management Personnel for services provided. There were no other related party transactions.

SUMMARY OF PETROLEUM TENEMENTS HELD AS AT 30 SEPTEMBER 2022

	% Interest	Tenement	Location
Held at end of quarter	100%	Nomgon IX CBM PSC	Southern Mongolia
Acquired during quarter	100%	ATP 2044	Queensland
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 September 2022

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 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	(221)	(221)
	(e) administration and corporate costs	(434)	(434)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	67	67
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	(588)	(588)

2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) exploration asset	(500)	(500)
	(b) tenements	-	-
	(c) property, plant and equipment	(166)	(166)
	(d) exploration & evaluation (capitalised)	(2,572)	(2,572)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 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	(3,238)	(3,238)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	(11)	(11)
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	(11)	(11)
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	22,679	22,679
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(588)	(588)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(3,238)	(3,238)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(11)	(11)
4.5	Effect of movement in exchange rates on cash held	156	156
4.6	Cash and cash equivalents at end of period	18,998	18,998

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	18,978	22,659
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)	18,998	22,679

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	280
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 \$280k 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 \$221k • Key Management fees in item 6.1 \$59k 		

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. 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)	(588)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	(2,572)
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(3,160)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	18,998
8.5	Unused finance facilities available at quarter end (Item 7.5)	-
8.6	Total available funding (Item 8.4 + Item 8.5)	18,998
8.7	Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	6.01
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.

31 October 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.