

17 October 2017

MONGOLIAN CBM ACQUISITION

- **Binding Terms Sheet executed to acquire Golden Horde Limited (GOH) for 79 million Elixir shares, subject to certain conditions being met**
- **GOH has negotiated the detailed commercial terms of a Production Sharing Contract (PSC) which, if awarded, will grant GOH the right to explore and develop Coal Bed Methane (also known as CSG) within the PSC**
- **GOH is awaiting final Mongolian government approval and the final award of the PSC remains a key condition precedent of the Terms Sheet**
- **Multi Tcf potential within the PSC area which extends for over 7 million acres (28,000 km²) in a highly prospective coal basin in the South Gobi desert**
- **Low cost but high impact exploration programme of less than US\$3M over the first two years with two wells planned for 2018 drilling season (mid-year)**
- **Exclusive, low cost (\$25,000) option paid to secure the opportunity for Elixir through to 30 September 2018**
- **Successful completion of a heavily oversubscribed \$1.6 million capital raise**
- **Shareholder approval for the Acquisition to be sought at 2017 AGM**

Elixir Petroleum Limited (ASX:EXR) is pleased to announce that it has executed a binding Terms Sheet for an option to acquire Golden Horde Limited ("**GOH**") for consideration of 79 million Elixir shares (the "**Acquisition**").

GOH was established in 2011 with the sole purpose of acquiring coal bed methane ("**CBM**") rights (also known as Coal Seam Gas or CSG) in Mongolia in an area directly adjacent to the existing gas markets of Northern China. GOH has raised approximately \$1.25 million since its inception and undertook a detailed prospecting study of the PSC area prior to commencing negotiations with the Mineral Resources and Petroleum Authority of Mongolia ("**MRPAM**") on the commercial terms for a PSC. The MRPAM is a division of the Mining Ministry, which in turn requires approval from the Cabinet of Mongolia ("**Cabinet**") before any formal award of a PSC can be made. GOH has regularly received guidance on the expected timing of the award of the PSC from MRPAM and its in country advisors, but neither GOH or Elixir have any independent verification that the guidance provided is accurate. Given the nature of the extensive regulatory approvals required, together with the recent change of the Mongolian Prime Minister (and ongoing changes in the Cabinet), there is no guarantee of when or if the PSC will be awarded in the expected timeframe.

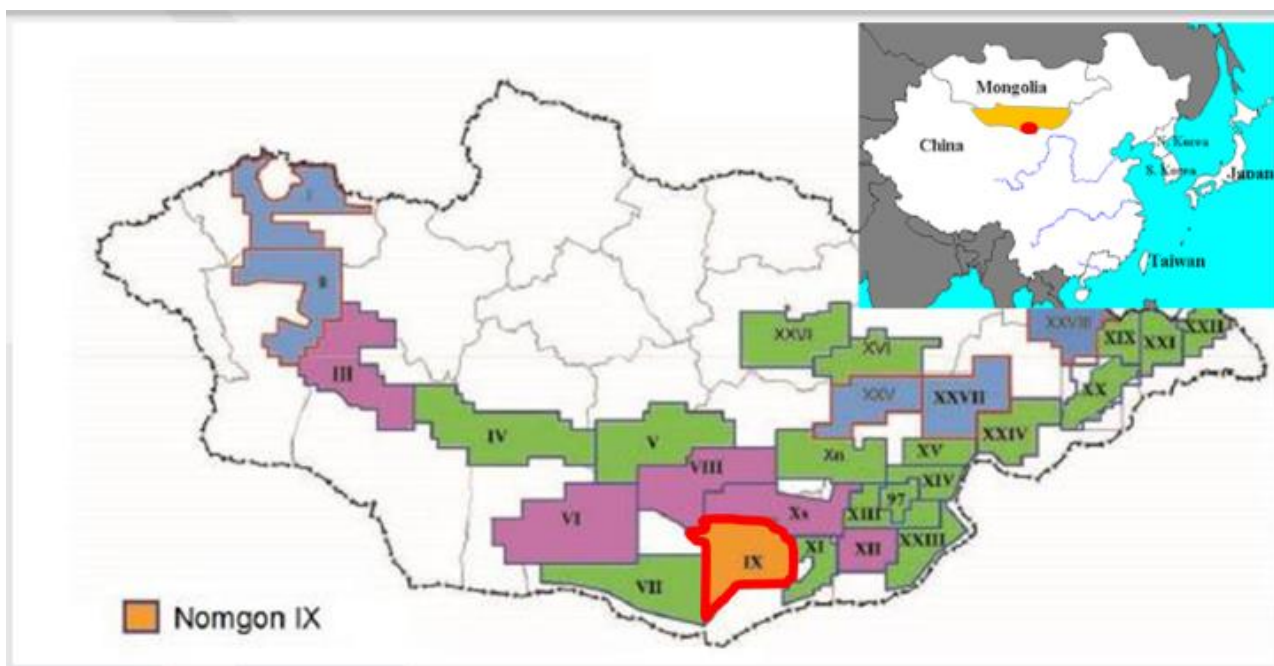
However, there is also a possibility that the formal award of the PSC could occur much sooner than anticipated and Elixir has moved quickly to secure an exclusive option (through to 30 September 2018) to acquire GOH through upfront payment of a \$25,000 option fee. The Acquisition is subject to a number of conditions precedents with the principal condition being the formal award of the

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PSC to GOH. Another key condition precedent included a capital raise by Elixir, which has today been met by the Company with the \$1.6 million raise ("**Placement**") announced today. A summary of the material terms of the Acquisition and Placement are provided in Appendix 1.

The PSC, (nominally named Nomgon IX) is located in what is considered to be one of the most prospective basins in Mongolia (and possibly globally) for CBM (see map below). The PSC surrounds one of the world's largest producing thermal coal deposits, Tavan Tolgoi, which has an estimated resource of over 6 billion tonnes and produced over 14 million tonnes of coal in 2016. Data from wells within the Tavan Tolgoi mine indicate gas contents of up to 15m³/tonne (480 cf/ton) at depths of 467 metres below surface which is considered high by world CBM standards and is a good indication that surrounding areas are likely to contain similar gas content levels.



The Nomgon IX CBM PSC will be the first unconventional PSC issued pursuant to the country's updated Petroleum Law, which was passed by Cabinet in 2014. Nomgon IX, which covers an area of over 7 million acres, lies adjacent to the Chinese border and is ideally placed for future gas sales into the extensive Northern China gas transmission and distribution network. In addition to Chinese gas demand, Mongolia currently has no gas production and there is a strong political desire to replace high emission coal power and heat generation with low emission clean-burning gas fired generation. With the potential to find and develop multiple Tcfs of gas from CBM, both the Mongolian and Chinese markets could be supplied with Mongolian CBM.

Elixir will commence planning activities and studies over the coming weeks which will complement the work already done by GOH with respect to the planned work programme, including defining the prospective resource that can be assigned to the PSC area. Upon completion of due diligence and award of the PSC, Elixir intends to exercise the option and commence on ground activities in the northern summer months. This includes the drilling of two wells where key data will be obtained to confirm gas contents and understand permeability, one of the last remaining key technical elements

of the play that needs confirmation. Drilling costs for the wells are expected to be around \$500,000 each. The Placement undertaken as part of the transaction, together with the existing cash resources of Elixir, provides the Company with a fully funded programme in 2018.

Upon completion of the Acquisition, Mr Neil Young will join the Board of Elixir as an Executive Director and Chief Executive Officer ("CEO"). Neil has a business development and commercial background and is the Managing Director of GOH. He has worked in the energy industry for over 20 years, including being Manager Business Development at Santos where he was a key leader in the Santos team that put together much of the Australian east coast CSG acreage that the company now operates.

Neil identified the potential of Mongolia as a regionally significant gas supplier and set up GOH with experienced industry partners to pursue CBM in Mongolia, raising funds privately from high net worth investors. After several years of technical studies aimed at high grading the coal basins in Mongolia, GOH began negotiations with the MRPAM over Nomgon Block IX and GOH believes the rigorous process undertaken to get to this point will result in a PSC being awarded at some stage.

Elixir Managing Director, Mr Dougal Ferguson commented:

"Elixir has reviewed many opportunities over the past 12 months and this one stood out above all others due to its potential size, its low cost but high impact exploration potential and of course its proximity to the 3rd largest gas user in the world, China. There is no question that demand for natural gas will continue to rapidly grow in this part of the world and gas resources that can be cheaply and easily found, developed and produced will be a highly sought after commodity.

It is commendable to the relationship we have forged with Golden Horde that we have been able to act quickly and pre-emptively to lock up this opportunity with such a low cost option and have already been able to meet one our key conditions with the Placement heavily oversubscribed.

We look forward to Golden Horde being awarded the PSC in the near future which will allow Elixir to complete the Acquisition and begin exploration in this highly prospective area."

Golden Horde Managing Director, Mr Neil Young also commented:

"It is gratifying that today our efforts over the last 4-6 years have been rewarded with this transformational transaction for both Golden Horde shareholders and Elixir. With the funding and access to capital that this deal provides, Golden Horde now has significantly more financial capability to move forward with confidence and we will be working with Elixir and its management over the coming months to delineate a detailed exploration programme, initiate an independent prospective resource report and fast track the final approvals and the award of the PSC."

For further enquiries, please contact:

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For further information on Elixir Petroleum, please visit the Company's website at www.elixirpetroleum.com

APPENDIX 1

Key Terms and Conditions of the Acquisition

The key terms of the Acquisition are listed below, some of which have already been met and others which either remain subject to Shareholder approval (to be sought at the 2017 Annual General Meeting of the Company), or have yet to be met by GOH or EXR.

Key conditions and terms that have been satisfied are as follows:

- Upon execution of the binding Terms Sheet, GOH was paid a \$25,000 option fee for the exclusive option (expiring 30 September 2018) to acquire all of GOH shares on a 1:1 basis for a total consideration of 79 million Elixir shares;
- The major shareholders of GOH, representing approximately 75% of the issued capital of GOH, have signed 24 month voluntary escrow agreements for the Elixir shares they will receive upon completion; and
- Elixir completing a capital raise of not less than \$1.5 million at a price of not less than \$0.04 per share.

Key conditions and terms that are subject to Shareholder approval are as follows:

- Approval for the issue of 22.5 million Performance Shares, being 17.5 million to Mr Neil Young, 4 million to the current Managing Director and 1 million to a technical consultant (Mr Greg Channon) who assisted with the technical evaluation of the opportunity; and
- Approval of the issue of the GOH consideration shares, being 79 million shares in Elixir to be issued on completion of the Acquisition.

Key conditions and terms that have either not yet been met by GOH or Elixir, or remain conditions precedents to the Acquisition are as follows;

- GOH being awarded the PSC;
- For the option to remain exclusive, Elixir must exercise the option within 2 months of GOH advising Elixir that it has been formally awarded the PSC;
- Elixir remaining listed and trading on ASX;
- Immediately prior to completion, Elixir having at least \$2.5 million in cash and not more than 250 million shares on issue;
- No material adverse conditions arising, including but not limited to material changes to the terms of the PSC, Elixir determining after further due diligence there to be defect in title for the PSC, significant political upheaval or social unrest in Mongolia;

- Upon closing of the Acquisition, Mr Neil Young being appointed to the Board as an Executive Director and CEO of Elixir on a salary of \$250,000 per annum including statutory superannuation, subject to a 3 month termination clause by either party;
- A break fee of US\$50,000, payable to GOH if Elixir (at its sole discretion) elects to terminate the Terms Sheet within the exclusive option period;

Pursuant to the GOH Shareholder Agreement, GOH shareholders have the right to procure a superior offer for GOH in the 20 business days after the offer has been made by Elixir. The offer by Elixir to GOH is expected to formally occur before the end of this week. Any superior offer must be made to GOH (rather than just the individual GOH shareholder) and must be made available to all GOH shareholders. If no superior offer is forthcoming within 20 business days, then the GOH Shareholder Agreement contains provisions that allow the majority shareholders (all of whom have signed the binding Terms Sheet with Elixir) to drag-along the minority shareholders.

The majority shareholders, representing greater than 65% of the shares in GOH, are parties to the binding Terms Sheet and have committed to the sale of their GOH shares to Elixir, subject to the above conditions precedents being met. The drag along rights within the GOH Shareholder Agreement come into effect where more than 65% of GOH shareholders agree to accept an offer for their shares.

Key Elements of the Placement

The Company has received commitments for a placement utilising some of its placement capacity under Listing Rules 7.1 and 7.1A to raise \$1.6 million before costs through the issue of 40,000,000 shares. The Company has agreed to pay a cash fee of 6% fee on the amount of funds raised in addition to issuing 2,500,000 shares as part of the total capital raising fee.

The total amount of shares to be issued pursuant to Listing Rule 7.1 is 26,842,031 with shares issued pursuant to Listing Rule 7.1A totalling 15,657,969.

Following completion of the Placement and payment of the capital raising fees, the Company will have approximately \$3 million in cash and 221 million shares on issue.

The Placement has allowed the Company to meet one of the key conditions precedents to the Acquisition.