

30 September 2017

**QUARTERLY ACTIVITIES REPORT FOR THE  
PERIOD ENDED 30 SEPTEMBER 2017****HIGHLIGHTS**

- **Binding Terms Sheet executed to acquire Golden Horde Limited (GOH) for 79 million Elixir shares, subject to certain conditions being met**
- **Commercial terms of a Production Sharing Contract (PSC) negotiated by GOH which, if awarded, will grant GOH 100% of the rights 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 km<sup>2</sup>) 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)**
- **Successful completion of a heavily oversubscribed \$1.6 million capital raise**
- **Post raise, Elixir's cash resources are in excess of \$3 million which is sufficient to fund an active 2018 exploration programme**

**EXECUTIVE SUMMARY**

During the quarter ended 30 September 2017, Elixir Petroleum Limited (**ASX:EXR**) (Elixir or Company) began negotiations with GOH to secure an option to acquire a potentially transformational CBM opportunity in Mongolia.

Negotiations were concluded subsequent to the end of the quarter and the transaction was announced on 17 October 2017.

The option, secured for \$25,000 through to 30 September 2018, provides Elixir with an exclusive right to acquire GOH for 79 million shares if the PSC is awarded to GOH and other conditions precedent are met by both Elixir and GOH.

The PSC is located in what is considered to be one of the most prospective basins in Mongolia (and possibly globally) for CBM and within the PSC area is one of the world's largest producing thermal coal deposits which supplies coal to both Mongolia and China.

The PSC (nominally named Nomgon IX) 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.

One of the key conditions precedents to the Terms Sheet was for Elixir to undertake a capital

raise of at least \$1.5 million at a price not less than \$0.04. This condition has subsequently been met with a heavily oversubscribed placement for \$1.6 million completed immediately following the signing of the Terms Sheet using the Company's placement capacity.

This has resulted in Elixir further strengthening its funding capability with the Company currently having in excess of \$3 million, which will be sufficient to fund the planned 2018 exploration programme both in Mongolia and on existing assets.

The market support for this transaction has been strong with Elixir's share price increasing by over 50% since the announcement of the transaction.

During the quarter, Elixir participated in the drilling of the Rodwell 14-31 exploration well at the Petra Project in Colorado. Unfortunately, despite intersecting hydrocarbon shows in the primary target, the well failed to flow on test and the well was plugged and abandoned.

In France, the Company is continuing with its legal action against the French Government with respect to the Moselle Permit renewal. The Administrative Court of Paris is due to hear the actions in the coming months, although at this stage, no formal date has been set. Further detail is provided in the section on the Moselle Permit.

## NEW BUSINESS ACTIVITIES

**Project Name:** Option to Acquire GOH  
**Location:** Mongolia



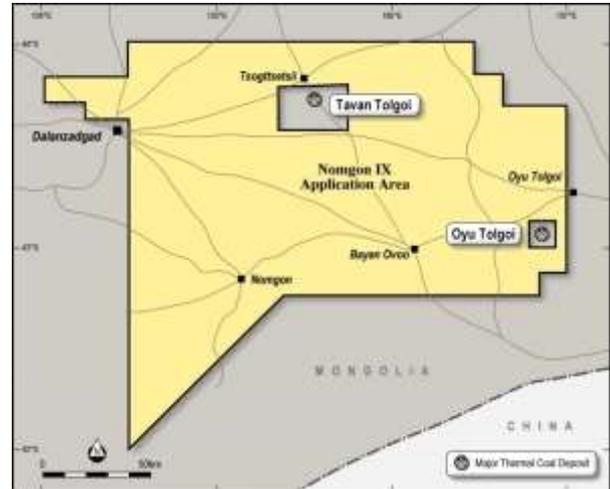
GOH was established in 2011 with the sole purpose of acquiring coal bed methane (“CBM”) rights (also known as Coal Seam Gas or CSG) in Mongolia in an area directly adjacent to the existing gas markets of Northern China. GOH has raised approximately \$1.25 million since its inception and undertook a detailed 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 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 that 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.

## EXPLORATION ACTIVITIES

**Project Name:** Petra Project  
**Location:** Colorado, USA  
**Ownership:** 25% Working Interest

During the previous quarter, Elixir elected not to proceed with funding the Rodwell 14-31 exploration well at 100% equity level and therefore reduced its Working Interest in the project to 25% and the corresponding exposure to the well was accordingly reduced to 25% (approximately US\$112,500)

The Rodwell 14-31 exploration well was spudded on 7 August 2017 and reached a total depth of 2,323 metres on 14 August 2017. The well encountered a 10 metre oil column in the primary target and the partners in the well agreed to run a drill stem test ("DST") in the well. Unfortunately, the DST failed to recover any fluids and analysis of the logs and DST results indicated the reservoir was tight at this location and was unlikely to produce commercial quantities of hydrocarbons. Subsequently, the well was plugged and abandoned.

At this stage, there is no intention to progress any significant additional exploration at the Petra Project unless new data comes to light that changes the current views of the partners in the project.

The Board determined subsequent to 30 June 2017 that it was appropriate to impair the capitalised costs associated with the Petra Project, resulting in a non-cash impairment expense of \$2,746,616 being recognised in the 30 June 2017 financial statements.

**Project Name:** Moselle Permit  
**Location:** North-eastern France  
**Ownership:** 100% Working Interest

The Company continues to pursue the French State for the annulment of the implicit decision not to renew the Moselle Permit, which if successful, would result in damages being able to be claimed by the Company if the Moselle Permit is not renewed. The action for annulment is an action based on the application of the law, not the passing of time.

Elixir continues to await a hearing date for the matter to be heard by the Administrative Court of Paris. Elixir is pursuing these actions through the Courts on a fixed legal cost basis with bonus payments payable only in the event the actions are successful.

## CORPORATE AND FINANCIAL

### *Quarterly expenditure, cash position and capital structure*

As at the end of the quarter, the Company had approximately \$1.6 million in cash, which together with the additional \$1.6 million raised in October (before costs), leaves Elixir with over \$3 million as at the date of this report.

During the quarter, the Company's main expenditure on exploration activities was in respect to the drilling of the Rodwell 14-31 exploration well, together with new business costs associated with the Mongolian transaction.

General and administration remained low during this quarter, but are expected to moderately increase as activity levels increase following the Mongolian transaction.

### *Board Changes*

On 30 October 2017, Mr Samuel Willis announced his resignation from the Board.

Mr Willis has been a director of the Company since August 2013 and the Board thanks him for his contribution over this period.

**PETROLEUM TENEMENTS HELD AS AT 30 SEPTEMBER 2017**

	<b>% Interest</b>	<b>Tenement</b>	<b>Location</b>
<b>Held at end of quarter</b>	100%	Moselle Permit	North-eastern France
	25%	Petra Project	Colorado, USA
<b>Acquired during quarter</b>	-	-	-
<b>Disposed during quarter</b>	-	-	-

**INTERESTS IN FARM-IN OR FARM-OUT AGREEMENTS AS AT 30 SEPTEMBER 2017**

	<b>Farm-in / Farm-out</b>	<b>% Change in Interest</b>	<b>Project</b>
<b>Held at end of quarter</b>	-	-	-
<b>Acquired during quarter</b>	-	-	-
<b>Disposed during quarter</b>	-	-	-

For further information, please visit the Company's website at [www.elixirpetroleum.com](http://www.elixirpetroleum.com)