

Mongolian CBM Acquisition update



(ASX:EXR)

November 2017

Investment Highlights

- Golden Horde Ltd (GOH) was **established in 2011** as a pure play **Mongolian CBM gas** (coal-bed methane – CSG in Australia) exploration venture
- GOH has advised Elixir that it anticipates an **award of a PSC** (with >40 year tenure) in Q1 2018, after which the exploration **drilling phase** can begin
- GOH will have **100%** permit ownership over **7 million acres** (28,000 km²) with **multi-TCF CBM** potential
- Located close to the Chinese border in **South Gobi coal producing basin** – initial studies indicate area is **highly prospective for CBM** (Bowen Basin analogue)
- Substantial **gas demand** growth forecast in Northern China region & Mongolia itself
- De-risking of play could add significant value from early drilling results – **first pilot drilling targeted for mid 2018**
- Modest budgeted work program of less than **US\$3M over the first two years** of the PSC term
- Low cost (A\$25,000) **exclusive option to 30 September 2018** secured to acquire GOH for 79M shares in Elixir
- **Term Sheet executed** with all commercial terms agreed

Transaction milestones progressing

- Deadline now passed for superior offer for GOH providing **Elixir with exclusivity** to acquire all of the shares of GOH on or before 30 September 2018
- GOH Managing Director recently visited Ulaanbaatar to **progress discussions** with the Mongolian authorities and **initiate drilling discussions** with service providers
- Planning for **2018/19 work programme** commenced including studies to define potential **“sweet spots”** for initial drilling activity
- Finalising outstanding technical due diligence including review of:
 - Existing **well bore data**;
 - Existing **gravity and magnetic data**;
 - Local **coal analysis** (see picture); and
 - Comparison of **Australian analogies** (e.g. Bowen Basin).
- Targeting **completion of initial studies** by end Q1 2018
- **Drilling contracts and locations** expected by early Q2 2018

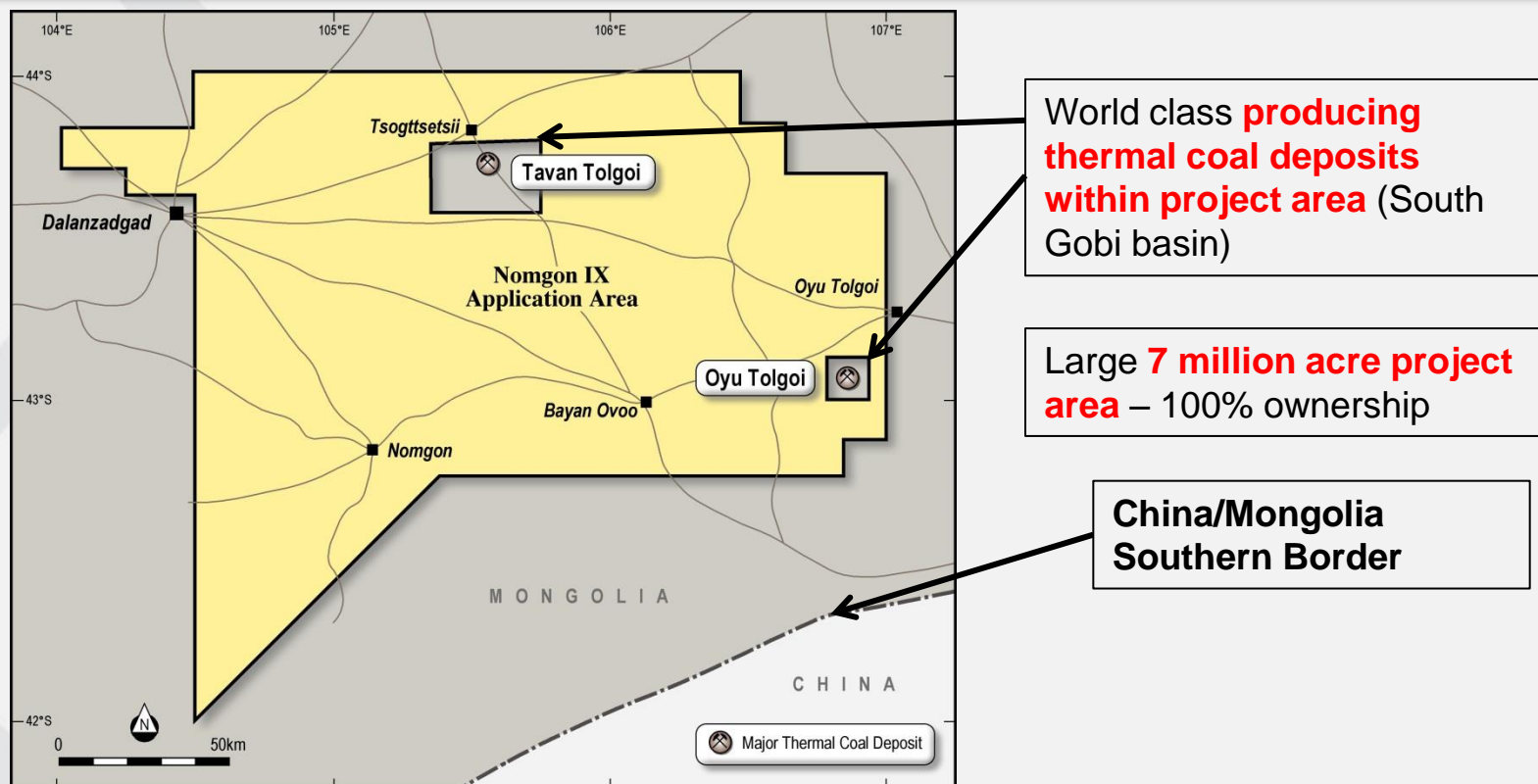


Project Area Key Facts



- Large **7 million acre project area** – 100% ownership
- World class **producing thermal coal deposits within project area** in South Gobi coal basin
- Close to border of world's **3rd largest gas user** in Northern China
- Will be **first unconventional hydrocarbon PSC** to be issued in Mongolia
- **Untapped multiple Tcf** CBM gas potential
- First mover advantage – **drilling targeted mid 2018**

Project Area Key Facts (cont.)



- Technical studies indicate South Gobi Basin **most prospective basin in Mongolia for CBM**
- Data from Tavan Tolgoi indicate gas contents of up to **15m³/tonne (480 cf/ton)**, at depths of **467 metres** below surface (high by world standards)
- Late Permian aged coals (Tavantolgoi Group) from **surface to >1000m depth** with individual **seam thickness** up to **55 metres** (Ovoot Tolgoi Mine)
- Block IX is ideally placed for **sales gas exports** into the main Chinese market

Key Technical Components for CBM

Properties	Bowen Basin (Queensland)	Block IX (South Gobi Basin)		Comments
Seam thickness	Maximum single seam thickness 30m	> 55m found in multiple occurrences	✓	World class seam thickness – very high GIP per acre
Gas Content	7-14 m ³ /tonne in most productive areas	Up to 15 m ³ /tonne at Tavan Tolgoi mine	✓	High gas content
Permeability	Permeability varies from 2-600mD across the basin	Unknown, but coal samples show good cleat formation with no calcite	?	Requires core hole analysis from mid 2018 drilling
Presence of coal at appropriate depth	Most productive coals typically less than 750m	Vast acreage position and evidence of substantial area with thick coal seams <1,000m	✓	Compares favourably to other world class CBM basins
Coal Quality: Ash Content	Ash content varies significantly but is ~30% in the most productive fields	~24% ash content	✓	Within ideal range
Coal Quality: Rank	Sub-bituminous to bituminous	Sub-bituminous to bituminous (ideal for CBM)	✓	Analysis shows that vitrinite percentage is consistent with coals that have undergone gasification/methane generation

The above technical data is collated from studies undertaken by GOH and has not been independently verified by Elixir at this stage

CBM Potential in Mongolia

Mongolia has all the elements in place to support the development of a CBM industry

Geology

- Mongolia is endowed with **enormous coal resources**
- The rank and quality of these coals is considered **suitable for CBM**

Scale

- Extensive **coal resources within the exploration licence area**
- Potential for a regionally significant **energy resource to supply China**

Location

- Mongolia and Block IX lies immediately **adjacent to China** and its expanding gas market
- CBM could also **supply Mongolia's mining, industrial and urban** regions

Markets

- China gas market - massive **cost advantages over seaborne LNG**
- Clean and cost effective energy for regional mine sites and urban power generation

Management

- Highly qualified **technical and commercial team** – Australian and Mongolian
- Direct experience in the origination and development of major Australian CBM projects

Strategy

- Initial exploration strategy to define potentially **large prospective resources**
- Multiple **monetisation options** – partnerships, corporate sale, asset sale.

GOH's road to a CBM PSC

- GOH executed a **CBM Prospecting Contract** with the Petroleum Authority of Mongolia (PAM) in January 2016
- Work under that Contract was finalised in 2016:
 - **Data gathering and field prospecting** – summarised in a formal Prospecting Report delivered to the Mongolian authorities
 - Potential resources were estimated using data from the prospecting work with **potential for multiple Tcfs of recoverable gas** identified as a possible outcome (subject to a formal independent PRMS compliant Prospective Resource Study being undertaken)
 - A notional CBM exploration program was prepared appropriate for the proposed PSC area
- GOH then **negotiated the commercial terms for CBM PSC** over the licence area – in line with Mongolia's Petroleum Law – with the Minerals Resources and Petroleum Authority (MRPAM)
- The PSC is now subject to a **Ministry and Government approval process** which is anticipated to take several more months*
- If the PSC is granted, Elixir intends to **exercise the exclusive option** and **commence a CBM exploration program**, with the ultimate aim being to **book gas resources/reserves** that can be commercially developed and delivered into the extensive and growing regional gas market

*The timing for the award of the PSC is not known and there is a risk it will be delayed beyond 30 September 2018 or that it may never be awarded to GOH

Project Milestones

EXR to commence exploration activity pre PSC award date



2018/19 Activity Focused on Low Risk activity to define CBM potential

Initial CBM exploratory wells will be adjacent to or within known coal deposit areas

Early Success Case – 2018 program will be accelerated with additional CBM wells

Base case is for one drilling program in 2018 and one in 2019 (2 wells each)

*Settlement of the Acquisition will not occur if the PSC is not awarded to GOH

**Subject to suitable rig availability and government approvals

Work Programme and Budget – the next 2 years

Use of funds:	Year one (2018)	Year two (2019)
Working Capital	750,000	750,000
Annual Permit costs	326,667	326,667
Signature Bonus	66,667	-
Prospective Resource Studies	50,000	50,000
G&G Studies	150,000	150,000
2018 Drilling (2 wells)	1,000,000	-
2019 Drilling (2 wells)	-	1,000,000
Total Spend	A\$2,343,333	A\$2,276,667

Notes:

- Elixir now **fully funded for 2018** exploration programme
- Size and prospectivity of the PSC allows a significantly **expanded exploration programme to be rapidly implemented** with additional funding or early drilling success
- PSC **tenure is for >40 years** subject to meeting minimum annual expenditure commitments
- Permit costs are internationally competitive given size of the PSC area
- One off signature bonus of US\$50,000 payable on award of the PSC

Elixir Petroleum Limited (ASX:EXR)



Pro Forma Capital Structure

Pre Acquisition

	Current (million)
Ordinary Shares (ASX:EXR)	221.4
Unlisted Options (ex 4.0 – 4.5 cents)	11.0
Performance Shares (Milestones)	5.0
Market Capitalisation (at 7.0c)	\$15.5
Cash at Bank	~\$3.0
Enterprise Value	\$12.5

Board & Management

Ray Barnes	Non Executive Chairman
Dougal Ferguson	Managing Director
Neil Young*	Proposed CEO/Exec. Director
Scott Patrizi	Non-Executive Director

Post Acquisition

	Current (million)
Ordinary Shares (ASX:EXR)	300.4
Unlisted Options (ex 4.0 – 4.5 cents)	11.0
Performance Shares (Milestones)	22.5
Market Capitalisation (at 7.0c)	\$21.0
Pro Forma Cash (post Acquisition)	\$3.0
Enterprise Value	\$18.0

Performance Share Milestone	Shares
Completion of Acquisition	2.5
Prospective Resource > 1Tcf	12.5
FID approval on Pilot Plant	7.5
Total	22.5

**Subject to completion of the Acquisition*

Summary

- Modest initial investment with **long activity timeline**
- First mover status on ASX with **significant upside**
- 100% ownership and **control** over project – essential for small company
- GOH has **extensive relationships** in Mongolia at both government and business level
- Clear **commercialisation path** through Chinese/local markets and infrastructure
- No other **CBM competitors** at this early stage
- Next Steps and **news flow over next 12-18 months**
 - Anticipated award of the **PSC**
 - Initial **Prospective Resources study** to be undertaken as soon as possible
 - Exploration planning to be commenced pre PSC award
 - **First Drilling program in mid 2018** (northern summer drilling season)
- Ultimate **monetisation** – 100% ownership allows multiple exit points, including **farm-out** or **trade sale** to larger regional player

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Information contained in this report with respect to the potential of the Mongolia PSC area was compiled by Elixir based on independently prepared reports provided to Elixir by Golden Horde Limited (GOH) and was reviewed by Mr Ray Barnes, a non-executive director of Elixir who has had more than 30 years' experience in the practice of petroleum geology. At this time, Elixir and Mr Barnes make no representations or forecasts with respect to the potential prospective resources that may be associated with the Mongolian PSC area.

Elixir makes no representation as to the timing of the award of the Nomgon IX PSC, nor does it make any representation as to the validity of the application or the likelihood of the PSC being awarded to GOH. Elixir has undertaken only limited due diligence to verify representations made by GOH and will complete detailed due diligence on the PSC title once the formal award of the PSC is made. The Acquisition is also subject to a number of conditions, the material ones of which are detailed in Appendix 1 of the Company's ASX release dated 17 October 2017.

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- 1. Peer Companies in China and Mongolia**
- 2. Golden Horde Team**
- 3. What is Coal Seam Gas?**

Peer Companies in China and Mongolia

Company	Summary of operations	Market Capitalisation
Green Dragon Gas (LSE:GDG)	<ul style="list-style-type: none"> China CBM play 60/40 Joint Venture with Petro China 3P reserves of 2.4 Tcf 2P reserves of 549Bcf (approx. ½ of 1Tcf) Approximate area of 1.87 million acres 	GBP 92 Million ~A\$156 Million
Sino Energy (ASX:SEH)	<ul style="list-style-type: none"> China CBM play Less than 30% net interest in complex Joint Venture with CNPC 2C resources of 3.2 Tcf 2P reserves of 2.1 Tcf Approximate 740,000 acres 	~A\$209 Million
Petro Matad (LSE:MATD)	<ul style="list-style-type: none"> Conventional oil and gas in Mongolia 100% interest in 3 PSC Blocks (IV, V and XX) No reserves or resources Well established oil explorer in Mongolia 21,000 km² of prospective basins 	GBP 15 Million ~A\$26 Million
Elixir Petroleum (ASX:EXR)	<ul style="list-style-type: none"> Option over the only current Mongolia CBM PSC 100% owned PSC application (Block IX) Multi Tcf potential (to be confirmed in Q4 2017 with PRMS Prospective Resource Report) Over 7 million acres (28,000 km²) 	~A\$12 Million Post Acquisition at \$0.04

Golden Horde Team

Name	Summary of experience	
Colin Goodall <i>Chairman</i>	<ul style="list-style-type: none"> • Ex-senior executive in BP, reporting to the MD and ex-head of BP in Russia • Chairman of Dana Petroleum PLC through to its ~US\$4 billion acquisition by Korea National Oil Corporation (KNOC) • Chairman of a number of other private companies • Significant listed (LSE & ASX) company executive and NED experience 	  
Neil Young <i>Managing Director</i>	<ul style="list-style-type: none"> • Public and private company oil and gas business development executive and company director (Executive and NED) • Multiple CBM acquisitions in the Surat, Gunnedah and Bowen Basin's (QLD & NSW, Australia) for Santos Limited • Listed and private company experience in Australia and internationally (USA, Japan, Indonesia ,Kazakhstan, etc) • Wide energy experience in downstream, gas markets, renewables, etc 	 
Jeremy Jebamoney <i>Technical Director</i>	<ul style="list-style-type: none"> • Listed company experience at Executive Director and Senior Management level • Petroleum engineering background in conventional petroleum and then CBM at Santos Limited • Technical evaluation undertaken to support new entry into CBM plays around the world – in Africa (e.g. Botswana), Asia (e.g. Japan), etc • A&D experience across Australian, US and Asian assets 	    

What is Coal Seam Gas (CBM)

- CBM is normal natural gas (methane – CH_4) – which is stored in coal seams rather than sandstone formations
- Its production basically just involves drilling to access the coal-seams – it involves no chemical or other reactive process
- It is a large, established and commercially proven source of gas in countries such as Australia and the USA – and is emerging in places such as China and Indonesia
- Typically CBM is produced from coal-seams which lie too deep to be mined. CBM and coal are therefore complementary not competing
- CBM – as natural gas – supplies all the markets (domestic and international) that conventional CH_4 does

