

31 October 2019

**QUARTERLY ACTIVITIES REPORT FOR THE  
PERIOD ENDED 30 SEPTEMBER 2019****HIGHLIGHTS**

- ) Final environmental impact assessment approval received
- ) Appointment of Mongolian drilling contractor Erdenedrilling LLC
- ) 2D seismic acquisition program successfully completed
- ) 2019 drilling program commenced (post period)
- ) Appointment of Mr B. Byambasaikhan to the Board
- ) Appointment of Ms Victoria Allinson as Company Secretary

**MANGAGING DIRECTOR'S REPORT TO SHAREHOLDERS FOR THE QUARTER**

The September quarter was one of significant progress for Elixir with the commencement of field exploration activity in Mongolia. Within only around a year from executing its PSC, the Company is now at the drilling stage of its 2019 exploration program.

The prime focus of Elixir's drilling efforts is the core-holes. These will follow imminently. The data garnered therefrom will be the major input for a potential contingent resource booking, which is targeted for early in the New Year.

Drilling commenced with low cost chip-holes, as these were the first to be permitted locally. Their objectives include validating the seismic, testing a cost effective exploration tool for the future and adding to our geological understanding. A more detailed explanation of the purpose of each facet of the drilling program is outlined below.

Mongolian companies have been contracted to undertake both the seismic and drilling work, with Australian and USA service companies hired to provide the specialized CSG services. Given the shallow nature of CSG targets and Mongolia's extensive mining industry, the local service sector is well placed to serve Elixir's drilling and seismic requirements.

Similar to minerals exploration drilling contracts the drilling contract is structured on a per metre basis, not a daily rate, so the risk of cost over-runs is significantly reduced. The current program is fully funded.

Hiring locally is not only the right thing to do in terms of Elixir's obligations to the country – it also provides much greater on-ground expertise in the particular region the Company operates in and in the dealings with the people who live there.

The seismic program concentrated on three areas in the very large PSC area (see map on the next page) – honing in on locations where pre-existing data from multiple sources has been garnered and integrated with a view to providing lower risk locations for drilling. Acquisition of 131 km of 2D seismic was completed in the quarter.

**ASX CODE: EXR****[www.elixirenergy.net.au](http://www.elixirenergy.net.au)****Elixir Energy Limited**

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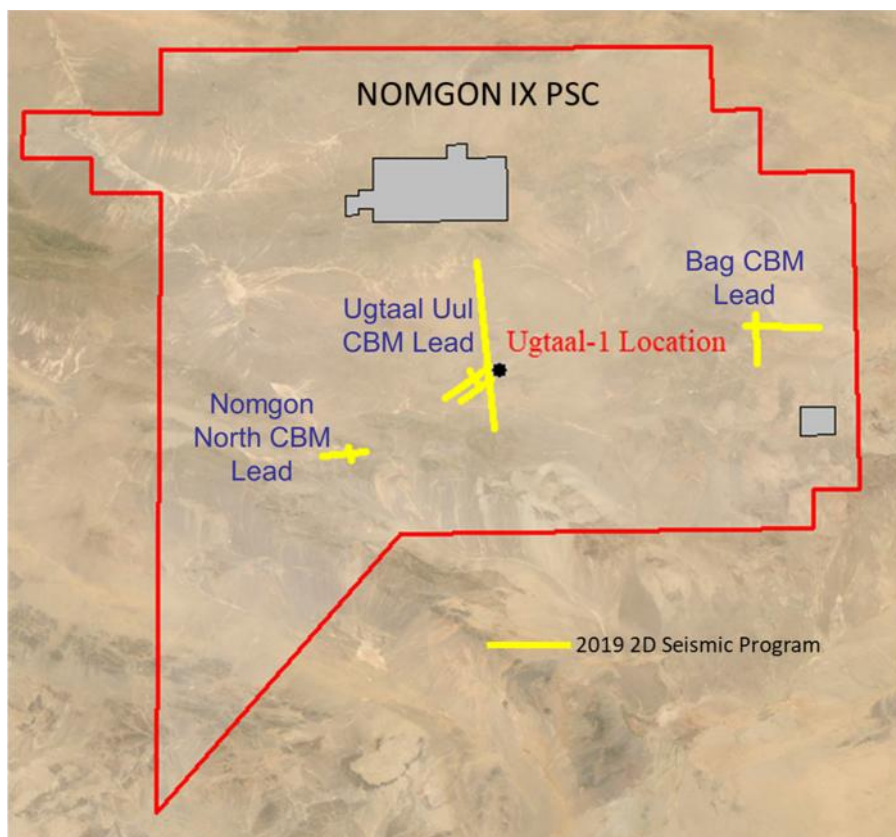
## ASX ANNOUNCEMENT



The Company's planning work for its 2020 exploration program will naturally receive strong inputs from the results of the work undertaken this year. Its final form will focus on three areas – further exploration, more delineation and resource de-risking.

Market opportunities for any gas discovered are multiple with a likely initial focus on small scale and modular electricity generation. This has been a tried and trusted mechanism in Australia to de-risk CSG projects. In the area of the PSC there are both large electricity users and existing electricity transmission infrastructure with substantial spare capacity.

The June quarter saw the appointment of two of Queensland's CSG "god-fathers" to Elixir's Board – ex-QGC Managing Director Richard Cottee and ex-Santos Head of CSG, Stephen Kelemen. The Board's expertise was rounded out in the September quarter with the appointment of Mongolian businessman Mr B Byambasaikhan. He has very substantial financial, energy sector and Government experience in the country and in various forms has worked with Management for many years.



*2019 Seismic lines over the Nomgon CBM PSC*

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### **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 PSC was entered into with the Mongolian Government in September 2018 and has a minimum ten year exploration period and a thirty year (extendable) production period.

During the first half of the year, Elixir procured various required Government approvals and obtained its last major approval (in connection with a Detailed Environmental Impact Assessment) in July. That allowed field work to commence.

Mongolian sub-contractor Micro Seismic LLC acquired 131 km of 2D seismic during the quarter. The program ran safely, environmentally responsibly, on time and on budget. At the end of the quarter the seismic was being processed and interpreted.

Following a tender process, Elixir selected Mongolian company, Erdenedrilling LLC, as its drilling contractor. Drilling commenced post the end of the quarter, with a planned program of 2-3 fully tested core-holes and 2-4 stratigraphic chip-holes.

### **CURRENT DRILLING PROGRAM**

Elixir recently decided to incorporate both core-holes and chip-holes in its 2019 exploration plans. The roles and objectives of these two types of drilling are very different.

Both the core-hole and chip-hole programs have been negotiated on a turnkey basis (revolving around fixed dollars per metre drilled), removing considerable economic and operational risks for the Operator.

For logistical reasons related to contractor water supply and camp access, Elixir started its drilling campaign with two chip-holes (BO-CH-1 and BO-CH-2). These wells are currently underway. This also allowed the “shake-down” of the crew and equipment ahead of the primary core-hole drilling. The two “shake-down” wells have been drilled slower than anticipated, however they have afforded Elixir considerable drilling learnings, all done at the cheaper drill rate.

The first core-hole, Ugtaal-1, will spud shortly, after the completion of chip-hole BO-CH-1.

### **Core-holes**

Core-holes are the primary tool for exploring and exploiting for CSG around the world. Elixir has a 2 firm (plus one contingent) core-hole program for Year 1 of the Nomgon IX PSC. The core-holes will target Elixir’s developed CSG leads, which were defined by surface outcrop, gravity and 2D seismic mapping.

The core-holes will have world-class drilling and geological supervision at the well site. The cores will be accurately logged, with coal samples put through a US certified (ASTM D7569) coal desorption process (Q1+Q2+Q3). Gas samples will be captured for chromatographic analysis. The coal collected will be examined petrographically, and adsorption and proximate analysis also undertaken.

Finally, the core-holes will be subject to Injectivity Fall-Off Testing (IFOT) of the coal seams to determine the permeability of the coals, and in particular, the cleating. These CSG core-holes will be the most technologically advanced ever undertaken in Mongolia.

The results of these wells will define Proof of Concept for CSG in Nomgon IX.

## Chip-holes

Chip-holes are stratigraphic exploration wells that are drilled quickly and cheaply to assist with the definition of general geology and lithology, particularly in areas where geological data is either sparse or anomalous. They provide critical information and allow a better calibration of the recently acquired 2D seismic.

The cost-effective chip-hole program was afforded by Elixir's strong relationship with its Mongolian drilling contractor, Erdenedrilling (ED). The latter was recently able to mobilise an additional drilling rig to supplement the core-hole drilling plans. ED offered a drilling service that has minimal well supervision, rapid drilling techniques which generally samples only rock chips or cuttings, and basic wireline logging.

In some hard lithologies (e.g. siliceous cemented conglomerates which have recently been encountered), core drilling may actually be utilized as the quicker method of drilling. These holes are achieved for a fraction of a "fully loaded" core-hole cost, and provide the Company with valuable stratigraphic and geological information that allows it to fine tune the core-hole drilling and guide future exploration programs.

The chip-holes have been placed in geologically strategic locations and not all the stratigraphic chip-holes are anticipated to encounter thick coal seams.

This method of drilling is very common in the South Gobi Basin, with most, if not all, coal exploration companies utilizing this exact drilling method. Many hundreds of these chip-holes have been drilled in and around Nomgon IX. Elixir anticipates that stratigraphic chip-hole drilling will be a significant exploration tool in the years to come.

## OTHER ASSETS

The Company retains interests in two other non-core exploration assets, being a 100% Working Interest in the Moselle Permit in France and a 25% Working Interest in a small acreage position in Colorado, USA. Elixir formally sought a 3 year extension to the Moselle Permit (which on the face of things expired on 20 January 2019) on 5 April 2018, but has yet to receive a response thereto.

There was no significant activity on either asset during the quarter.

## CORPORATE AND FINANCIAL

### *Changes in Issued Capital*

During the quarter the Company issued 8,000,000 ordinary shares following the exercise of unlisted options at a price of \$0.0329, raising \$263,200.

Also during the quarter the issue of various performance shares, options and adviser shares were approved by shareholders at a General Meeting and were subsequently issued, as summarized in the form 5B dated 19 August 2019. Subsequently the Company has 508,370,706 ordinary shares on issue.

### *Financial*

Elixir's cash reserves as at 30 September 2019 were \$3.083 million. The Company has no debt.

During the quarter, Elixir's exploration expenditure included payments for seismic, drilling and various fees, annual rents and bonuses to the Mongolian Government under the terms of the PSC.

**Board and Management**

Mongolian based businessman Mr B Byambasaikhan was appointed as a Non-Executive Director with effect from 1 October 2019. He has previously served the Company as a financial and strategic adviser. Mr Byambasaikhan has substantial financial, commercial and Government experience in Mongolia and Asia more broadly.

The company also appointed Ms. Victoria Allinson as Company Secretary effective 1 August 2019. Ms Allinson replaces former Managing Director Mr Dougal Ferguson in the capacity of Company Secretary.

Mr Ferguson served as a Non-Executive Director from 15 April 2019 and resigned from the Board on 30 August 2019.

**Annual and other General Meetings**

A General Meeting was held on 20 August 2019 to address various procedural matters as noted above. All resolutions were passed.

The Company will hold its Annual General Meeting in Perth on 22 November 2019.

**SUMMARY OF PETROLEUM TENEMENTS HELD AS AT 30 SEPTEMBER 2019**

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

For further information, please visit the Company's website at [www.elixirenergy.net.au](http://www.elixirenergy.net.au) You can also follow Elixir Energy on twitter.

## Appendix 5B

# Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

### Name of entity

Elixir Energy Limited

### ABN

51 108 230 995

### Quarter ended ("current quarter")

30 September 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
<b>1. Cash flows from operating activities</b>	-	
1.1 Receipts from customers		-
1.2 Payments for		
(a) exploration & evaluation		
Exploration expenses	(913)	(913)
Exploration rent and other local fees	(448)	(448)
(b) business development / new ventures	-	-
(c) production	-	-
(d) staff costs	(88)	(88)
(e) administration and corporate costs	(96)	(96)
1.3 Interest received	10	10
1.4 Interest and other costs of finance paid	-	-
1.5 Income taxes paid	-	-
1.6 Research and development refunds	-	-
1.7 Other	-	-
<b>1.8 Net cash from / (used in) operating activities</b>	<b>(1,535)</b>	<b>(1,535)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) petroleum leases (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets (BLM Bond)	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>-</b>	<b>-</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares/options	263	263
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
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)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>263</b>	<b>263</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	4,353	4,353
4.2	Net cash from / (used in) operating activities (item 1.8 above)	(1,535)	(1,535)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	263	263
4.5	Effect of movement in exchange rates on cash held	2	2
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>3,083</b>	<b>3,083</b>

5.	<b>Reconciliation of cash and cash equivalents</b> 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	1,605	1,224
5.2	Call deposits	1,478	3,129
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>3,083</b>	<b>4,353</b>

6.	<b>Payments to directors of the entity and their associates</b>	Current quarter \$A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	88
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2  <i>Non-executive directors' fees, executive directors' salaries, consulting fees, termination payments and payout of annual leave balances (upon cessation of employment)</i>	

7.	<b>Payments to related entities of the entity and their associates</b>	Current quarter \$A'000
7.1	Aggregate amount of payments to these parties included in item 1.2	-
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

8.	<b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1	Loan facilities	-	-
8.2	Credit standby arrangements	-	-
8.3	Other (please specify)	-	-
8.4	Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		



<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Exploration and evaluation (Mongolia only)	1,505
9.2 Business development / new ventures	-
9.3 Production	-
9.4 Staff costs	100
9.5 Administration and corporate costs	80
9.6 Other	-
<b>9.7 Total estimated cash outflows/(inflows)</b>	<b>(1,685)</b>

<b>10.</b>	<b>Changes in Petroleum Leases (items 2.1(b) and 2.2(b) above)</b>	<b>Petroleum Lease and location</b>	<b>Nature of interest</b>	<b>Interest at beginning of quarter</b>	<b>Interest at end of quarter</b>
10.1					
10.2					

### 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.

Sign here: 

Company Secretary

Date: 31 October 2019

Print name: Victoria Allinson

### Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.