

31 January 2020

**QUARTERLY ACTIVITIES REPORT FOR THE
PERIOD ENDED 31 DECEMBER 2019****HIGHLIGHTS**

-)] Nomgon-1 core-hole well spudded in January – initial results expected shortly
-)] Ughtaal-1 core-hole drilled in quarter
-)] Net coal intersected of 43 metres, with a single coal seam of 20 metres
-)] Permeability and gas content were tested and were at the low end of expectations
-)] Two stratigraphic chip-holes drilled in proximity to Ughtaal-1

MANGAGING DIRECTOR’S REPORT TO SHAREHOLDERS FOR THE QUARTER

The December quarter saw Elixir commence its first coal seam gas (CSG) drilling campaign in Mongolia.

One fully tested core-hole (Ughtaal-1) was drilled (the first such well in Mongolia), supplemented by two stratigraphic chip-holes.

The second core-hole (Nomgon-1) planned for this first drilling campaign spudded post the end of the quarter. Initial results are expected shortly.

Similarly to the seismic acquisition work undertaken in the previous quarter, the Company’s chose to engage a local Mongolian company (Erdenedrilling LLC – “ED”) as its drilling sub-contractor. ED was supplemented by international experts in the areas of well supervision and gas content and permeability testing. The work was conducted safely and met all environmental requirements.

Due to particular over-burden conditions encountered where the wells were drilled, they took longer to reach total depths than anticipated. However, the drilling contract is structured on a per metre basis, not a daily rate, and as such Elixir’s economic exposure to the delay was not material. The drilling program has run smoothly through into the South Gobi’s winter season. The region is cold – but very dry – and accordingly access to the well-sites is not a problem due to factors such as deep snow.

The wells encountered coal seams in the CSG target depth window, including a very thick single 20 metre coal seam. However, the coals in those seams were of poorer quality than expected which led to results at the lower end of expectations.

A sub-par outcome in one sub-area of the very large Nomgon IX PSC has little bearing on its overall prospectivity. For instance, in similarly sized areas of Queensland’s Bowen and Surat Basins, vastly different coal qualities and CSG outcomes have been encountered.

The Nomgon-1 well currently being drilled is in a separate sub-basin nearly 40 kilometres distant from Ughtaal-1.

ASX ANNOUNCEMENT



The Company's 2020 exploration program (including the current well being drilled) is focused on a range of the Permian sub-basins located in the PSC, which will serve to demonstrate and refine Elixir's low cost gas exploration business model.

A number of parties have approached Elixir about the possibility of joint venturing with it in the Nomgon IX PSC. The Company is progressing the resulting early stage discussions in parallel but no binding deal(s) are certain.



Drilling in the South Gobi region in winter

ASX CODE: EXR

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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 quarter the Company finalized the processing and interpretation of 131 km of 2D seismic acquired by Mongolian sub-contractor Micro Seismic LLC.

In October the Company’s drilling sub-contractor, Erdenedrilling LLC, spudded the first wells in Elixir’s initial Mongolian drilling campaign.

An exploration program for 2020 has recently been submitted to the petroleum regulator, the Mineral Resources and Petroleum Authority of Mongolia (MRPAM). This comprises a flexible work program of further 2D seismic and drilling. Final results derived from the current program and what is learned over the course of 2020 will feed into the program as it moves forward.

A mandatory annual meeting with MRPAM was held on 24 January 2020 at which the results from 2019 and the plans for 2020 were presented and discussed.

CURRENT DRILLING PROGRAM

The key well drilled during the quarter was the Ugtaal-1 core-hole, which was drilled to a total depth of 752 metres.

Net coal of 43 metres was logged with the thickest single coal seam in the package being 20 metres.

Cores were successfully recovered for initial testing in an on-site desorption laboratory. Final gas content numbers will be assessed post further desorption and other testing work, however results to date indicated gas content at the lower end of expectations.

Permeability was successfully tested using an IFOT (injectivity fall-off test) tool. A final report on permeability was received post the end of the quarter and indicated a number at the lower end of expectations.

Two stratigraphic chip-holes were also drilled in the Ugtaal sub-region of the PSC during the quarter. The BO-CH-1 chip-hole was drilled to a total depth of 738 metres and encountered net coal of 7 metres whilst the BO-CH-2 chip-hole was drilled to a total depth of 890 metres and encountered net coal of 6 metres.

The quality of the coals encountered in these 3 wells drilled in the Ugtaal sub-region was lower than anticipated, which was a significant contributing factor to the gas content and permeability encountered in this area. Further laboratory analysis is ongoing on the coals.

Post the end of the quarter, ED spudded the second core-hole well (Nomgon-1) in the Company’s initial drilling program. This is at a location some 37 km to the South-West of the Ugtaal sub-region in a separate sub-basin first identified as being prospective by the Company’s subsidiary some four years ago. Results from this well are expected shortly.

OTHER ASSETS

The Company has had interests in two other non-core exploration assets.

The first was a 100% Working Interest in the Moselle Permit in France. Elixir formally sought a 3 year extension to this Permit (which on the face of things expired on 20 January 2019) on 5 April 2018.

After the end of the quarter the Company was advised by the relevant French authorities that this extension request was denied.

The Company's minor 25% interest in various leases in Colorado have nearly all expired.

CORPORATE AND FINANCIAL

Changes in Issued Capital

The Company has 508,370,706 ordinary shares on issue and no changes arose in the quarter.

Financial

Elixir's cash reserves as at 31 December 2019 were \$2 million. The Company has no debt.

During the quarter, Elixir's exploration expenditure largely comprised payments for seismic and drilling.

Board and Management

As set out in the previous Quarterly Report, Mongolian based Mr B Byambasaikhan was appointed to the Board on 1st October 2019. Mr Byambasaikhan has substantial financial, commercial and Government experience in Mongolia and Asia more broadly.

Annual and other General Meetings

The Company's Annual General Meeting was held on 22 November 2019 to address various standard governance related matters. All resolutions were passed.

SUMMARY OF PETROLEUM TENEMENTS HELD AS AT 31 DECEMBER 2019

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

By authority of the Board:

Neil Young - *Managing Director*
Elixir Energy Ltd (ABN 51 108 230 995)
Level 10, 50 Pirie Street
Adelaide SA 5000, Australia

For further information, please visit the Company's website at www.elixirenergy.net.au

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")

31 December 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities	-	
1.1 Receipts from customers		-
1.2 Payments for		
(a) exploration & evaluation		
Exploration expenses	(851)	(1,764)
Exploration rent and other local fees	-	(448)
(b) business development / new ventures	-	-
(c) production	-	-
(d) staff costs	(95)	(183)
(e) administration and corporate costs	(41)	(137)
1.3 Interest received	-	10
1.4 Interest and other costs of finance paid	-	-
1.5 Income taxes paid	-	-
1.6 Research and development refunds	-	-
1.7 Other	-	-
1.8 Net cash from / (used in) operating activities	(987)	(2,522)

2. Cash flows from investing activities		
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 (6 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	-	-
2.6	Net cash from / (used in) investing activities	-	-

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares/options	-	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)	-	-
3.10	Net cash from / (used in) financing activities	-	263

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,083	4,353
4.2	Net cash from / (used in) operating activities (item 1.8 above)	(987)	(2,522)
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
4.5	Effect of movement in exchange rates on cash held	(66)	(64)
4.6	Cash and cash equivalents at end of period	2,030	2,030

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	1,939	1,605
5.2 Call deposits	90	1,478
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)	2,030	3,083

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	95
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 and executive directors' salaries</i>	

7. Payments to related entities of the entity and their associates	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. Financing facilities available <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.		

9.	Estimated cash outflows for next quarter	\$A'000
9.1	Exploration and evaluation (Mongolia only)	609
9.2	Business development / new ventures	-
9.3	Production	-
9.4	Staff costs	100
9.5	Administration and corporate costs	109
9.6	Other	-
9.7	Total estimated cash outflows/(inflows)	(817)

10.	Changes in Petroleum Leases (items 2.1(b) and 2.2(b) above)	Petroleum Lease and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
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 January 2020

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.