22 December 2022

END OF YEAR UPDATE

HIGHLIGHTS

- Delivered Mongolia's first flaring of gas from the Nomgon CBM PSC
- Partnered with Japan's SB Energy Corp in the Gobi H2 green hydrogen venture
- Queensland gas asset of significant scale acquired
- Optionality in corporate portfolio greatly enhanced from three major growth platforms
- Developing multiple potential financing sources for each venture

Elixir Energy Limited ("Elixir" or the "Company") is pleased to provide an end of year update on progress made by the Company in 2022.

Nomgon CBM PSC

Operations in the year in Elixir's foundation asset – the Nomgon CBM PSC located in the South of Mongolia proximate to the Chinese border – focused on the extended pilot production test in the Nomgon sub-basin. We were therefore naturally very pleased to recently announce that gas had flowed in sufficient quantities to ignite a flare – a first for Mongolia's petroleum industry.

Elixir's aim is to demonstrate a commercial flow-rate from the pilot early in the New Year. That would represent a major milestone in our journey from the initial conceptualization of the CBM opportunity in Mongolia to the booking of reserves. We would expect the international oil and gas industry to take note accordingly.

In parallel to the pilot project, Elixir drilled 17 exploration and appraisal wells across the Nomgon CBM PSC in 2022. New sub-basins hosting coals in the CBM window were discovered and added to the inventory of such areas.

Crucially, Elixir has successfully demonstrated a repeatable process of exploration to appraisal to pilot production. It is that process success which should be noted by potential future development partners.

Gobi H2

Elixir first announced its Mongolian green hydrogen strategy (now trademarked as *Gobi H2*) in 2021. Like the Nomgon CBM PSC project, this rests on the locational advantages of the South of Mongolia in potentially supplying the world's largest energy importer: China. The South Gobi region has superb renewable energy resources – both wind and solar (and an exceptionally strong combination of the two). Our measurement of these to a bankable standard has confirmed this resource quality.

In 2022 we were very pleased to validate our strategy with the establishment of an early stage partnership with SB Energy Corp (a wholly owned subsidiary of Japan's SoftBank Group Corp), through the signing of a Memorandum of Understanding (MOU) in June. Under the MOU, both parties have been pursuing various elements of the pre-feasibility work required to pursue a green hydrogen pilot project, including water procurement, site selection, engineering studies, offtaker engagement, project financing, etc.

All of these elements are proceeding to plan and in 2023 Elixir looks forward to investigating with SB Energy Corp how the partnership might be strengthened and the project advanced.

Grandis Gas Project

The key geo-political event in 2022 was the Russian invasion of Ukraine. This had dramatic impacts on global energy markets – in our view for the long term.

Elixir rapidly responded to an opportunity that these changing energy markets introduced – the acquisition of the Grandis Gas Project in Queensland that we announced in August. Grandis is the 100% owned ATP 2044 licence overlying the gas bearing Taroom Trough, located just to the South of Australia's premier gas hub at Wallumbilla – connected to local and international gas markets.

Detailed technical work on Grandis by Elixir's team then led to the independently certified booking of a material contingent resource of 395 Bcf (2C). The Company is currently planning the drilling of an appraisal well at Grandis (Daydream-2) in late 2023 (subject to rig availability). This well has multiple objectives – to increase contingent resources, establish a pathway to commercial flow-rates, determine condensate quantities, etc.

In recent weeks the Federal Government legislated a gas price cap for upstream gas sales in Eastern Australia in 2023. This legislation also introduced a new form of regulatory intervention – the ability of the Government to fix gas prices at "reasonable" levels thereafter. The views of Elixir's Managing Director, Neil Young, on this are set out below:

Government interventions in markets are never welcomed and indeed higher prices in gas markets in recent times were a sign that those markets were in fact working. Higher prices induce new supplies which then re-balance prices downwards. However, the industry generally accepted that the Government needed to show – for political reasons – that it was "doing something". The short term price caps for 2023 were therefore seen as just one of those crosses that we would have to bear.

The longer term "reasonable pricing" provisions were however not expected and have caused considerable consternation in the industry generally – including at Elixir, given our plans to drill Daydream-2 in 2023.

The hurried process by which the Government introduced this price control mechanism – announcing it late on a Friday night, allowing a few days consultation, then legislating it in less than a week – demonstrated that the Government in fact understands the shortcomings of its policy. This therefore suggests that when a final "code of conduct" is issued in February (after a further consultation process) that it might well be watered down – possibly substantially.

In the meantime, Elixir is working with various industry participants to make it clearer to the Government that price controls could have negative political as well as commercial consequences (for instance, we share a wide-spread industry view that if a capital strike follows an overly interventionist code, then there could be gas shortfalls in Victoria before the next election).

Gas from Grandis can be sold into either domestic or international markets – this optionality was one of the key attractive features of the asset. The impact on Australian energy markets induced by the Ukraine war are arguably very minor compared to those being experienced in many other countries – particularly our long term customers and allies such as Japan and South Korea. Such countries will see Australian Government intervention in gas markets as disappointing – but not politically surprising. Sovereign risk is relative not absolute and in my view such international gas buyers will still see Australia as an attractive and secure supplier of gas.

Corporate

Elixir maintained its strong balance sheet in the year – in the Company's quarterly report for the period ended 30 September 2022, the cash balance was $19 million. The Company has a strong focus on developing multiple future funding options for all of its projects, including partnering in a number of possible ways, seeking various forms of Government support when available, identifying possible project financing support, etc.

The Company also seeks to communicate with current and potential shareholders (and other stakeholders) through multiple channels. These range from mandatory ASX reporting, to conference presentations, videos, interviews, articles, etc. Our corporate website hosts all of these and in 2023 we will continue this active communications policy – and investigate expanding in certain areas such as podcasts.

Elixir's Managing Director, Mr Neil Young, said: *"In my view 2022 has seen the option value of Elixir increase substantially. At the same time as making great progress in our foundation Nomgon CBM asset we have grown two new assets of enormous and uncorrelated potential. The concept of optionality also underpins our strategy when it comes to the future funding needs of these projects – we are working on multiple ways of doing so. The recent Federal Government intervention in Australian gas markets has been disappointing. However, a key feature of a mature democracy is that it corrects its errors – and to paraphrase Churchill, all other systems are worse – and we are therefore still very strong believers in the value of Australian gas."*

By authority of the Board:

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