



Elixir Energy

ASX ANNOUNCEMENT

ASX : EXR

31 January 2023

**QUARTERLY ACTIVITIES REPORT FOR THE
PERIOD ENDED 31 DECEMBER 2022**

HIGHLIGHTS

- Nomgon pilot production project producing Mongolia's first gas flare
- Substantial contingent resources booked for the Grandis Gas Project in Queensland
- Gobi H2 pre-feasibility study progressing to near term finalisation

MANGAGING DIRECTOR'S REPORT TO SHAREHOLDERS FOR THE QUARTER

The December quarter saw Elixir passing the very achievement of igniting Mongolia's first flaring of natural gas at its Nomgon pilot production project. The project continues to produce gas – at a growing rate - and we look forward to reporting the final stabilized outcome in the months to come.



The protected flare at the Nomgon pilot project

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Another material value adding achievement was the booking of a substantial (395 billion cubic feet) of 2C contingent resources for our new Queensland based Grandis Gas Project.

Both were significant de-risking events in natural gas resource plays of very material sizes – located in market favourable regions in Australia and Mongolia respectively.

Good progress was also made at our third project – Gobi H2. A pre feasibility study (PFS) being undertaken by global infrastructure consulting firm AECOM is currently being finalised and the results therefrom are due in the next month.

Elixir's Managing Director has just returned from meetings in Tokyo with our partner in Gobi H2, Japan's SB Energy (SBE - a wholly owned subsidiary of Japan's SoftBank Group Corp). The Parties' discussions included further developing the current MOU based partnership in 2023. We look forward to providing further news on this in the months ahead.

As noted above, location is one of the most important drivers of value in a natural gas (methane) venture. The Nomgon PSC provides proximity to the world's largest energy importer – China. The Grandis Gas Project provides close access to global gas markets through the Gladstone LNG facilities (and local Australian gas markets through the nearby Wallumbilla hub and associated gas transmission network).

We consider that the issue of location is even more important for the future hydrogen ventures that bodies like the IEA consider necessary to deal with the expected global energy transition over the rest of this century. Hydrogen is much more expensive and physically challenging to move than is methane.

Gas assets in Australia generally benefit from its long term reputation as a reliable energy supplier. As noted in our End of Year Update dated 22 December 2022, we recently saw an unwelcome intervention by the Federal Government in East Coast gas markets.

As at the date of writing, the Government is still to provide more detail on the post 2023 component of its gas market pricing policies – this is due in February. We are working with industry peers and bodies to provide input to the Government.

In the meantime, Elixir is progressing its Grandis Gas Project on all required fronts. We are currently pursuing multiple potential forms of partnering and financing for the project and look forward to providing shareholders with more detail on these in the months to come.

Regular readers of our announcements will know of the importance we place on working closely with the local communities in which we operate – further below we illustrate a recent example of community work undertaken in the Nomgon region – using contractor skills and equipment to clean up the local village:



Nomgon Soum ("village") clean-up

This ethos equally applies to our newer Australian asset. We are currently working with the landowner of the location for our Daydream-2 well over access (and other issues – like utilization of local services). We are pleased to note that the concept of the very long established oil-field practice of fracture stimulation (which Daydream-2 will employ) is well understood and accordingly well accepted in the Grandis region.

Daydream-2 will arguably be the biggest (in multiple definitions of the word) well that Elixir has ever drilled. As noted previously, we are keen to integrate our drilling plans with those of much larger peers operating in the same play and we are engaging with the service sector (such as the relevant drilling contractors) to that end.

As noted above, our foundation asset – the Nomgon CBM PSC – will reach a major milestone in the coming months – the hoped for (but not guaranteed) establishment of a commercial flow rate from the Nomgon pilot. The outcome of the pilot will frame our activities for the balance of the year – which as a minimum will include further appraisal work at Big Slope and Yangir, as well as exploration drilling in other locations in the PSC.

The Company's balance sheet remains strong with ~\$14 million of cash on hand as at the end of the quarter. We consider we are progressing rapidly with non-equity funding solutions for Daydream-2 and will progressively report on these as they mature.

Funding for green hydrogen projects such as Gobi H2 can access a wide range of sources of capital not available for fossil fuel projects and this is one of a number of reasons why Elixir has developed this project. We consider these sorts of elements of our corporate strategy that might be called "ESG" focused as essentially being about broadening our capital access avenues as widely as possible – not as a box ticking exercise. To date this has been vindicated by our partnering with SBE – and we consider that more and more options will arise for this project as it progresses through 2023.

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 30,000 square kilometre PSC was executed with the Mongolian Government in September 2018 and formally commenced in 2019.

The PSC has a minimum ten year exploration period and a thirty year (extendable) production period. Elixir is substantially ahead of its exploration expenditure commitments under the PSC, even notwithstanding the force majeure event caused by COVID-19 in recent years.

During the quarter the Company pursued its ongoing exploration and appraisal program for 2022, as follows:

- The Nomgon-8 and Nomgon-9 pilot wells were drilled and completed in the quarter.
- All surface equipment (duly winterized to cope with the climactic conditions in the Gobi region) was installed at the pilot.
- Production testing commenced in November and gas breakthrough commenced within a week. Typical for a pilot, a few teething issues arose, requiring various repairs. Gas production continues as at the date of this report and is building volumetrically.
- Last quarter saw the discovery of a new gassy coal-bearing sub-basin called Big Slope. In the quarter 4 appraisal wells were drilled in this new sub-basin, which extended the discovery area. Measurements of gas contents established the highest reading achieved by Elixir to date – in excess of 8 cubic metres per tonne on a raw basis.
- Field mapping continued across various areas in the PSC.

- In January a formal annual meeting with the petroleum regulator was held. The budget for 2023 was approved at this meeting. The budget supports the ongoing work at the Nomgon pilot, more appraisal work at Big Slope and Yangir and exploration in new areas.

All work was undertaken safely, in accordance with local community expectations and without environmental incident.

ATP 2044

In the previous quarter the Company acquired a 100% interest in ATP 2044, a petroleum exploration permit located in Queensland. Elixir has now dubbed this the Grandis Gas Project.

Elixir's technical work undertaken in making this acquisition was refined in the December quarter – and using the data produced by the prior drilling undertaken in the Taroom Trough by BG Group (now Shell), a conclusion was reached that Grandis contained material discovered – i.e. contingent – gas resources.

As announced to the market on 10 November 2022, the 2C contingent resources are 395 billion cubic feet (and 3.6 million barrels of associated condensate). These figures were independently certified by ERC Equipoise Pte Limited.

The Company's plans to drill an appraisal well (Daydream-2) in ATP 2044 in late 2023 are subject to number of external variables, primarily rig availability – and the uncertainty factors in these variables have been increased by the late December intervention in gas markets by the Commonwealth Government. Further details on this new policy are due from the Government in February and as these are absorbed by the industry in the coming months, Elixir expects these timing factors to become clearer.

Elixir is currently pursuing a number of mechanisms to support the funding of Daydream-2 and will report on these progressively to shareholders as they mature.

The landowner at the Daydream-2 location has been engaged and has indicated prima facie support for the project.

In the sub-contracting program for the drilling of the well Elixir is now being assisted by InGuage Energy, a Queensland based consulting firm with substantial experience in working with operators in drilling wells with Daydream-2's characteristics.

GOBI H2 PROJECT

During the quarter the Company continued to progress its green hydrogen project in Mongolia – the *Gobi H2* project, with the following highlights:

- Elixir and SB Energy Corp. (SBE - a wholly owned subsidiary of Japan's SoftBank Group Corp), continued to pursue the tasks assigned to each party under the MOU executed earlier in 2022.
- As at the date of this report, Elixir's Managing Director has just returned from a visit to Tokyo to meet with SBE. The Parties discussed the pathway in 2023 to progress the development of their partnership beyond the current MOU stage.
- A pre-feasibility engineering study into a pilot green hydrogen production project was progressed by global infrastructure consulting firm, AECOM. A final iteration of this is expected to be finalized next month.
- Wind data continues to be gathered from Elixir's 3 SODARS deployed in the Gobi region. This supplements the high quality data gathered by SBE at its existing wind-farm.

- Nearly a full year of on-site solar data has now been gathered by Elixir at its Solar Ilch solar farm project and will be reported after its first anniversary in a couple of months.
- As part of its ongoing multi-level stakeholder engagement in Mongolia, during the quarter Elixir sponsored a hydrogen related research project at the National University of Mongolia.
- Elixir and SBE continue to regularly update various international and local financial institutions based in Ulaanbaatar on the pilot project.

ESG

On 30 September 2022 Elixir published its first annual Environment Social & Governance (ESG) report. The report provides a formal baseline of reporting against 21 criteria identified by the World Economic Forum's Stakeholder Capitalism Metrics framework.

The Company plans to issue such reports annually. Additionally, work is currently being undertaken to update Elixir's website on various fronts – including providing more regular ESG updates. In the January quarter it is intended to publish updates on the calendar based annual scope 1 and 2 emissions figures, etc.

Elixir's stakeholder engagement plans are considered particularly important for a resource company – all players in this sector globally are inevitably operating in someone else's backyard. A practical recent example was - as part of the Nomgon pilot project - Elixir requesting its contractor to use its equipment to clear up the rubbish dump and some ruins at the nearby village of Nomgon.

OTHER ASSETS

Elixir's longstanding US subsidiaries remained dormant.

CORPORATE AND FINANCIAL

Capital raising

There was no capital raising during the quarter.

Changes in Issued Capital

There were no changes in issued ordinary share capital in the quarter.

Following the AGM, 2,000,000 performance rights were issued to the Managing Director. The fully diluted equity structure of Elixir as at 31 December 2022 was as follows:

Security type	Number
Ordinary shares	912,437,310
Unlisted performance rights	28,200,000
Unlisted employee options	6,330,000

Financial

Elixir's cash reserves as at 31 December 2022 were \$13.8 million. The Company has no debt.

During the quarter, the Company spent \$5.2 million on exploration activities, primarily on drilling, the installation and operation of the Nomgon pilot production facilities, G&G and other ancillary costs.

Board and Management

No changes to Board and Management occurred in the quarter.

Annual and other General Meetings

The Company held its Annual General Meeting on 18 November 2022. All resolutions put to the meeting were approved by shareholders.

Appendix 5B Disclosures

The attached Appendix 5B includes an amount of \$176,250 in item 6.1, which constitutes compensation for the Managing Director and non-executive director fees paid during the quarter. In addition, \$81,533 was paid to Key Management Personnel for services provided and reimbursement of expenses. There were no other related party transactions.

SUMMARY OF PETROLEUM TENEMENTS HELD AS AT 31 DECEMBER 2022

	% Interest	Tenement	Location
Held at end of quarter	100% 100%	Nomgon IX CBM PSC ATP 2044	Southern Mongolia Queensland
Acquired during quarter	-	-	-
Disposed during quarter	-	-	-

By authority of the Board:

Neil Young - *Managing Director*
Elixir Energy Ltd (ABN 51 108 230 995)
Unit 3B Level 3, 60 Hindmarsh Square
Adelaide SA 5000, Australia

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

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity		
Elixir Energy Limited		
ABN		Quarter ended ("current quarter")
51 108 230 995		31 December 2022

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 (expensed)	-	-
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(181)	(402)
	(e) administration and corporate costs	(265)	(699)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	85	152
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities	(361)	(949)

2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) exploration asset	-	(500)
	(b) tenements	-	-
	(c) property, plant and equipment	(23)	(189)
	(d) exploration & evaluation (capitalised)	(4,023)	(6,595)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
	(e) investments		
	(f) other non-current assets	(231)	(231)
2.2	Proceeds from the disposal of:		
	(a) entities		
	(b) tenements		
	(c) property, plant and equipment		
	(d) investments		
	(e) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	Net cash from / (used in) investing activities	(4,277)	(7,515)
3. Cash flows from financing activities			
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	(11)
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
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	-	(11)
4. Net increase / (decrease) in cash and cash equivalents for the period			
4.1	Cash and cash equivalents at beginning of period	18,998	22,679
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(361)	(949)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(4,277)	(7,515)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	(11)
4.5	Effect of movement in exchange rates on cash held	(593)	(437)
4.6	Cash and cash equivalents at end of period	13,767	13,767

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	13,747	18,978
5.2	Call deposits	20	20
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)	13,767	18,998

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	258
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<p>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments</p> <p>Total payments of \$258k to related parties for the quarter consisted of:</p> <ul style="list-style-type: none"> • non-executive directors' fees and executive director salaries in item 6.1 \$176K • Key Management fees and reimbursement of expenses in item 6.1 \$82k 		

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	-	-
7.5	Unused financing facilities available at quarter end		-
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	(361)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	(4,023)
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(4,384)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	13,767
8.5	Unused finance facilities available at quarter end (Item 7.5)	-
8.6	Total available funding (Item 8.4 + Item 8.5)	13,767
8.7	Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	3.14
8.8	If Item 8.7 is less than 2 quarters, please provide answers to the following questions:	
	1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer: N/A	
	2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer: N/A	
	3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	Answer: N/A	

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.

31 January 2023

Date:

By the Board

Authorised by:
 (Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – e.g. Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.