



Elixir Energy

ASX ANNOUNCEMENT

ASX : EXR

29 July 2022

CBM OPERATIONS UPDATE

HIGHLIGHTS

- Nomgon pilot production program on track with wells to spud in August 2022
- Venetian-1 drilled discovers new coal-bearing sub-basin
- Orio-1 exploration well spudded west of Yangir
- Yangir and Bulag Suuj drilling continues

Elixir Energy Limited (“Elixir” or the “Company”) is pleased to provide an update on the coal bed methane (CBM) exploration/appraisal program underway across its 100% owned Nomgon IX CBM Production Sharing Contract (PSC).

Pilot Production Program

The Nomgon pilot production program is scheduled to begin in the latter half of next month. Elixir has overcome many logistical and supply chain hurdles in the first half of 2022 and is pleased to report that all the required equipment for drilling, completion and testing is now in Mongolia.

The program begins with the drilling of two pilot production wells. For the first time, Elixir has engaged Major Drilling Group, a drilling contractor with global operations, to drill the Nomgon 8 and 9 wells. In Mongolia, Major has worked extensively for Rio Tinto in the Oyu Tolgoi mine (which is situated within the Nomgon IX PSC area).

The wells will be drilled to ~ 600 metres in 8 ½” hole, with well design and casing sizes similar to that of most Australian CBM production wells, rather than the smaller hole size exploration wells the Company has been drilling to date in Mongolia. Elixir anticipates completing and producing these wells within weeks of the drilling being completed. As is the norm with CBM wells, water will initially be produced until the reservoir pressure is lowered and gas is able to be desorbed. Over the months thereafter, measuring gas flow rates will provide the key foundation for assessing commerciality.



Pilot production pad under construction

Exploration Drilling Program

The Company's exploration program continues, currently utilizing two local drilling sub-contractors and deploying three rigs.

The Venetian-1 exploration well has discovered another coal-bearing sub-basin. It was drilled to 882 metres and intersected 6.5 metres of coal and carbonaceous siltstone in the CBM depth window.

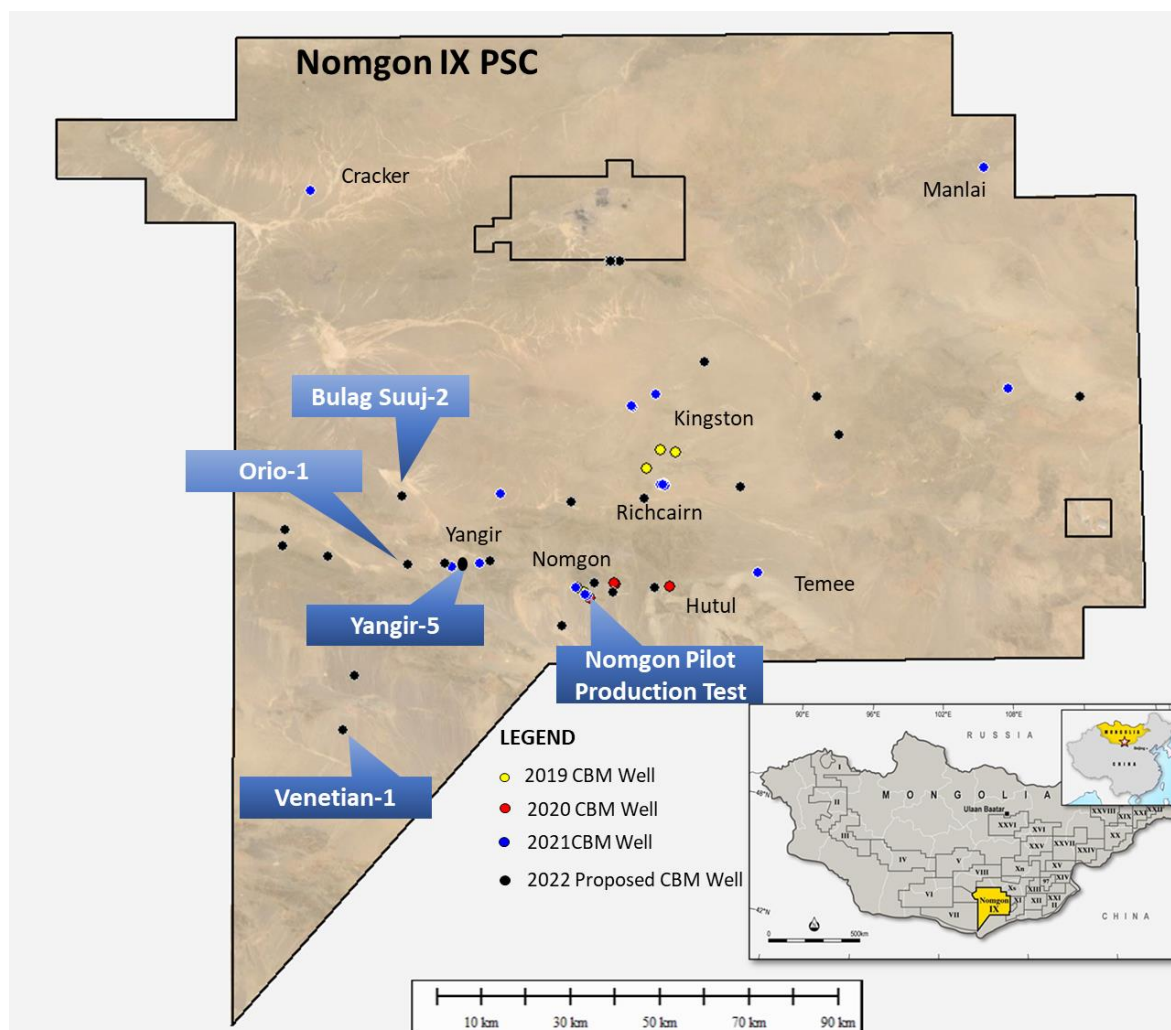
The Orio-1 exploration well has recently spudded in an area to the West of Yangir.

The drilling of the Bulag Suuj-2 well has been slower than anticipated (although Elixir reiterates that it pays for exploration drilling on a per-metre rather than a per-day basis) and has yet to reach the prognosed Total Depth (TD) of 800 metres, due to mechanical issues. The Company attributes this poor performance to causes such as poor maintenance and the quality of the rig equipment (as the rigs in operation have expanded).

In the Yangir sub-basin, the drilling performance in recent months has also been slower than anticipated. The Yangir-4 well, although encountering coals in the CBM depth window, did not reach the prognosed total depth, despite being re-spudded once. A proximate new well, Yangir-5, has spudded nearby.

Drilling challenges – primarily mechanical in nature – have to date hampered the pace of the Company's exploration drilling program in the first half of 2022. The Company is monitoring these issues very closely and is putting in place a number of mechanisms designed to improve the performance of its local drilling sub-contractors, including on-site audits, inputs from Australian experts, reviewing wider alternatives, etc.

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Nomgon IX Location Map

Elixir's Managing Director, Mr Neil Young, said: "All of our Australian readers have no doubt experienced the current realities of global supply chain disruptions in areas as mundane as airports and at the petrol pump. Given the complexities of shipping equipment to Mongolia from multiple countries in this environment, it is a credit to our teams in Australia and Mongolia that our pilot production program – Mongolia's first – is on track to start next month as planned. Our exploration program continues to deliver discoveries of coals at CBM depths – but progress has been slower than planned due to issues such as the entry of new operators this year and clunky adjustments in the service sector in response to that. We are putting in place various actions to improve performance in this area."

By authority of the Board:
Neil Young - Managing Director
Elixir Energy Ltd (ABN 51 108 230 995)
Level 3, 60 Hindmarsh Square
Adelaide SA 5000, Australia

For further information on Elixir Energy, please call us on +61 (8) 7079 5610, visit the Company's website at www.elixirenergy.com.au