



Elixir Energy

ASX ANNOUNCEMENT

ASX : EXR

31 July 2023

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 30 JUNE 2023

HIGHLIGHTS

- Rig procured for Daydream-2 well – due to spud in October
- Federal funding obtained for Daydream-2 well
- Nomgon CBM appraisal and exploration wells encounter gassy coals
- Nomgon Pilot Project extended
- Gobi H2's bankable wind/solar capacity factor considered world class

MANGAGING DIRECTOR'S REPORT TO SHAREHOLDERS FOR THE QUARTER

The last quarter saw a number of global developments which in our view reinforced a growing recognition that the demand for gas will endure for the very long term. Indeed it can be increasingly seen that gas is a vital under-pinning tool – not an opponent – of the desired clean energy transition.

These developments included:

- Various gas buyers – particularly but not exclusively Chinese companies - entering into new LNG purchase contracts for periods in excess of twenty years.
- The European oil and gas majors Shell and BP publicly stating that cutting oil and gas production prematurely would be dangerous and counter-productive, particularly for the World's poor.
- The world's two largest mining companies, BHP and Rio, noting that hydrogen would likely have specific not widespread roles to play in the energy transition.
- Japanese calls for a global collective to meet gas storage and security of supply needs, similar to the OECD's long term framework for petroleum strategic reserves.

And last but very far from least for Elixir, the Australian Government issuing a final Code of Conduct for the East Coast gas industry that represented a major retreat from the market intervention originally announced in late 2022.

In December last year Canberra issued an unexpected policy change – that gas prices in the East Coast would be capped for one year at \$12/GJ and thereafter would be regulated to be “reasonable”.

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This announcement caused considerable consternation for Australian domestic and international players alike.

However, the recently issued final Code of Conduct retreated from the “reasonable” pricing mechanism and instead had only a \$12/GJ cap on what would be only limited transactions. Elixir’s Grandis Gas Project in Queensland for example would generally not be subject to the cap if gas was sold domestically – and no pricing restrictions apply to gas exports.

In our view sovereign risks are relative not absolute and many Governments around the world rushed to make very short term market interventions following the energy market turmoils of the last few years. Australia is still one of the top three global LNG exporters and its reputation as a reliable supplier and investment destination will shine through short term Government errors such as this Code.

In this context, the strong progress made in Elixir’s Grandis Gas Project in Queensland during the quarter was very timely. We secured a rig contract from major global services company SLB (previously Schlumberger) and now aim to drill the Daydream-2 appraisal well in late October.



SLB rig SLR 185

A large part of the total funding for the well was also secured in recent months – from the Federal Government. This was achieved through the obtaining of an Advanced Finding that Daydream-2 would qualify for R&D tax credits. These will pay for 43.5% of the costs of this well.

In addition, we are pursuing a number of other promising funding sources and for instance we were pleased to see that in its recent budget the Queensland Government announced a Frontier Gas Exploration grants program to drive exploration for gas reserves in the Bowen and Galilee Basins. As an active Bowen Basin explorer, Elixir is engaging with the relevant Government Department over access to the \$21 million in grant funding to be allocated under this new program (although any positive outcome cannot be guaranteed at this stage).

A key objective of the Daydream-2 well is to seek to secure a material increase in booked contingent resources (which are already 395 Bcf) in the Grandis Gas Project. Given the strong location and rapidly

growing gas supply shortfalls both domestically and via the increasing spare capacity in the Gladstone LNG plants, such resources should have considerable value.

Notwithstanding the great progress in Queensland, Elixir is in parallel still vigorously progressing its Mongolian CBM and hydrogen ventures.

The Nomgon Pilot Project has been expanded – with a longer testing period and the addition of another well in the coming months. The gas output from the pilot started strongly then tailed off – which is not uncommon in CBM pilots – particularly in a frontier area. At Nomgon we know the gas is there and ongoing steady water production indicates that that gas should flow in due course.

Our CBM exploration and appraisal drilling commenced in the quarter and the early results look encouraging. Elixir plans 9 wells in the Nomgon CBM PSC this year and has aimed to drill these as much as possible in the more benign weather conditions in the middle of the year.

As noted above, BHP recently stated that hydrogen *“could be champagne or could be tap water. There are certainly opportunities in the global energy transition where it will be needed, but there are a variety of decarbonization technologies where it is not necessarily the foremost technology”*.

Also highly relevant to Elixir, Rio also recently noted that various factors would *“drive the production of hydrogen close to its point of use.”*

In Elixir’s view, both of these statements serve to emphasise the strategic soundness of Elixir’s Gobi H2 project – whose key strength is its immediate proximity to Chinese markets in areas like steel making. Additionally, the Gobi H2 project benefits from a world class combined capacity factor of wind and sun.

The remaining second half of 2023 will be a time of significant highly productive activity for Elixir, with the drilling of the very impactful Daydream-2 well progressing side by side with ongoing drilling in Mongolia and the development of the Gobi H2 project.

MONGOLIAN GAS – NOMGON CBM PSC PROJECT

Elixir Energy Limited (“Elixir”) has a 100% interest in the Nomgon IX Coal Bed Methane (CBM) Profit Sharing Contract (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 main focus areas were as follows:

- Ongoing production testing at the Nomgon Pilot Project.
- The Pilot is being expanded with an extended testing period and another well planned. Regulatory and contracting processes in connection with the latter were advanced in the quarter.
- The exploration and appraisal drilling program for 2023 got under way in the quarter, with early encounters of coal whilst drilling reported in July.

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

AUSTRALIAN GAS – GRANDIS GAS PROJECT (ATP 2044)

Elixir has a 100% interest in petroleum exploration licence ATP 2044 located in Queensland (the Grandis Gas Project). This 1,000 square kilometre tenement is located proximate to the Wallumbilla gas hub and can access domestic and international gas markets.

During the quarter the Company plans announced it had secured a rig to drill an appraisal well (Daydream-2) in ATP 2044, commencing around late October. The drilling of this well will meet the key work commitment of this exploration licence.

An Advanced Finding from the Department of Industry, Science and Resources was received in May, confirming that the costs of the planned Daydream-2 well would qualify for the Federal Government’s 43.5% R&D cash rebate scheme.

A peer reviewed paper on the *Permian Gas Potential of the Taroom Trough* was presented by Elixir at the annual APPEA Conference.

MONGOLIAN GREEN HYDROGEN - GOBI H2 PROJECT

The *Gobi H2* green hydrogen project is located in Southern Mongolia and is being progressed by Elixir and Japanese company Terras Energy (re-named from SB Energy Corp.).

Following a sell down by SoftBank Group Corp., Terras Energy is now 85% owned by Toyota Tsusho Corp., a member of the Toyota Group.

In May, Elixir was invited by the Asian Development Bank (ADB) to make a presentation on the *Gobi H2* project at an annual clean energy conference held at its Manila Headquarters.

The combined wind and solar capacity factor – a major driver of green H2 economics – for Gobi H2 was updated by Elixir in the quarter, using bankable quality data. This factor, as estimated by Elixir, is as good as or superior to other prominent global green hydrogen projects that the Company is aware of.

ENVIRONMENT, SOCIAL & GOVERNANCE (ESG)

Elixir considers stakeholder engagement – particularly with local people in the areas of operations - to be critical for all of its projects, no matter where they are located.

In the quarter Elixir was pleased to partner with a number of its ASX peers to support the Mongolian efforts of Australian charity *Sight for All*. This was done through a collective donation of an Ocular and Orbit Ultrasound device to the Mongolian National University of Medical Sciences. This ultrasound will be used to train medical professionals across the country and will give rise to material benefits in reducing eye related health conditions in Mongolia.

The tree planting operation in the Nomgon region that Elixir commenced in 2022 was expanded in 2023. This project fits well with an official “One Billion Tree” campaign initiated by the President of Mongolia in recent years and makes a small contribution to reducing the negative impacts of growing desertification in Mongolia.

In Queensland, Elixir is in various stages of discussions with a number of companies whose operations can or might impinge upon the development of the Taroom Trough. Further news on this will be provided as and when the discussions mature.

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.

The fully diluted equity structure of Elixir as at 30 June 2023 was as follows:

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

On 3 July 2023, 19,400,000 Performance Rights were converted into fully paid ordinary shares for no consideration.

The fully diluted equity structure of Elixir as at the date of this report was as follows:

Security type	Number
Ordinary shares	931,837,310
Unlisted performance rights	8,800,000
Unlisted employee options	6,330,000

Financial

Elixir's cash reserves as at 30 June 2023 were \$9.6 million. The Company has no debt.

During the quarter, the Company spent \$1.9 million on exploration activities, primarily on drilling, Nomgon pilot production facilities costs, technical preparation for the upcoming Mongolian and Australian drilling campaigns and other ancillary costs.

Board and Management

No changes to Board and Management occurred in the quarter.

Annual and other General Meetings

There were no General Meetings held during the quarter.

Appendix 5B Disclosures

The attached Appendix 5B includes an amount of \$173,000 in item 6.1, which constitutes compensation for the Managing Director and non-executive director fees paid during the quarter. In addition, \$56,000 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 30 JUNE 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		30 June 2023

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 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	(173)	(751)
	(e) administration and corporate costs	(195)	(1,304)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	81	313
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	(286)	(1,743)

2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) exploration asset	-	(500)
	(b) tenements	-	-
	(c) property, plant and equipment	(104)	(582)
	(d) exploration & evaluation (capitalised)	(2072)	(11,448)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
	(e) investments	-	-
	(f) other non-current assets	-	-
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	(2,175)	(11,448)
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	11,779	22,679
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(286)	(1,743)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,175)	(11,448)
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	238	77
4.6	Cash and cash equivalents at end of period	9,555	9,555

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	9,125	11,365
5.2	Call deposits	30	20
5.3	Bank overdrafts	-	-
5.4	Restricted cash	400	394
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	9,555	11,779

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	229
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 \$229k 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 \$173K • Key Management fees and reimbursement of expenses in item 6.1 \$56k 		

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)	(368)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	(2,072)
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(2,358)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	9,555
8.5	Unused finance facilities available at quarter end (Item 7.5)	-
8.6	Total available funding (Item 8.4 + Item 8.5)	9,555
8.7	Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	4.05
8.8	If Item 8.7 is less than 2 quarters, please provide answers to the following questions:	
	8.8.1 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	
	8.8.2 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	
	8.8.3 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	
	<i>Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered</i>	

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 July 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 – eg *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.