

Elixir Energy

ASX ANNOUNCEMENT

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28 October 2020

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2020

HIGHLIGHTS

- Highly successful Nomgon-2 appraisal core-hole well drilled
- Strat-hole appraisal wells drilled and met objectives of encountering thick coals
- Exploration work focused on the acquisition of new seismic and field work

MANGAGING DIRECTOR'S REPORT TO SHAREHOLDERS FOR THE QUARTER

Nearly 2 years ago, our PSC was independently confirmed as hosting vast prospective resources of natural gas on the border of what Wood Mackenzie recently called the "*world's most important gas market*". Our job since then has been to reduce the risks over these resources that were identified at the time and to start to convert their status to contingent resources – all at low cost. Our work to date in 2020 has been successful in doing so.

The quarter ended 30 September 2020 was one dominated by intense field work on multiple fronts. As foreshadowed in the last quarterly report, the Company continues to successfully undertake its program, notwithstanding the ongoing effects of the global pandemic.

Our appraisal campaign commenced with the drilling of the Nomgon-2 appraisal well. This well truly exceeded our expectations – on just about every measure it was even more successful than the Nomgon-1 discovery well, encountering very thick coals, measuring good gas content and finding highly permeable zones.

This was followed up with a number of step-out appraisal strat-hole wells within the Nomgon sub-basin. These met their objectives of intersecting thick coals and as at the date of this report another appraisal well is still drilling ahead.

Exploration work in the quarter focused on acquiring 106 kilometres of new 2D seismic in various locations in the PSC. In addition, geological survey field work across our vast acreage was ongoing. To date, the processing and interpretation of the seismic has identified a number of new well locations. One of these is being drilled as at the date of this report.

Drilling will continue in various locations across the PSC in the lead up to the end of 2020. After a short break in the midst of the Northern hemisphere winter, during which we will seek various required annual permits from petroleum and environmental regulators, our exploration and appraisal programs will continue into 2021.

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Our operations in Mongolia are low cost and our corporate overheads are also lean. Our cash balance is accordingly healthy – and is currently being added to by the exercise of our listed options (which expire at year end).

Post the end of the quarter we were very pleased to welcome Anna Sloboda to our Board. Anna originally hails from Belarus – a country with a similar Soviet background to Mongolia - and in addition she has had broad experience working with various parties in Mongolia's Southern neighbour – China.

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 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 undertook exploration and appraisal work on the PSC, with a focus on the following areas:

- Geological survey work.
- The drilling of the Nomgon-2 appraisal core-hole well.
- The drilling of the Nomgon 3S and Nomgon 4S strat-hole wells.
- The spudding of the Nomgon 5S strat-hole well.
- Acquisition of 106 kilometres of 2D seismic.

All work was undertaken safely, without environmental incident and in accordance with COVID-19 related protocols. Elixir's combination of a strong Mongolian management team, the use of local sub-contractors and on-line supervision from experts in Australia as required, have ensured the Company has continued to successfully operate during the global pandemic.

The key results from the Nomgon-2 appraisal well, which Elixir notes meet or exceed those of a number of producing CSG fields around the world, were as follows:

- Net coal intersected of 91 metres.
- Thickest coal seam (series 100 seam) net coal of 51 metres.
- Average raw gas content measured at 5.3 m^3/tonne – with a dry ash free (DAF) basis of 8.6m^3/tonne.
- Nomgon-2 measured a zone where permeability was 91.5mD.

OTHER ASSETS

Elixir's only remaining legacy interest outside of the Nomgon PSC is a long established US domiciled subsidiary, Cottesloe Oil & Gas LLC. This company has no assets other than an escrowed cash bond pledged to a third party worth ~US$580,000, whose purpose is to cover a possible abandonment liability of a similar amount. Elixir continues to discuss with various counterparties in the USA as to how best this legacy matter can be effectively cleaned up.

CORPORATE AND FINANCIAL

Capital raising

During the quarter a number of holders of listed Elixir options chose to exercise their rights to acquire ordinary shares in the Company at a price of 6.79c/share. By 30th September, a total of 7,407,890

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options were exercised. As at the date of this report, in excess of $1 million has been received by the Company.

Following the grant of shareholder approval at the Company's Annual General Meeting held on 18 September 2020, the Directors subscribed $50,000 for 2,500,000 shares at 2c per share, as part of the commitment they had given to the placement process undertaken earlier this year.

Changes in Issued Capital

	Number
Opening ordinary shares	687,973,877
Listed EXROA options exercised	7,407,890
Issued of shares to directors under the placement announced on 6 May 2020	2,500,000
Issue of shares in payment of consulting services	1,350,000
Unlisted employee options	699,231,767

The fully diluted equity structure of Elixir as at 30 September 2020 was as follows:

Security type	**Number**
Ordinary shares	699,231,767
Listed EXROA options	111,158,727
Class C performance rights	16,000,000
Unlisted employee options	12,630,000

Financial

Elixir's cash reserves as at 30 September 2020 were $2.8 million. The Company has no debt.

During the quarter, the Company spent $0.8 million on exploration activities, primarily on drilling and ancillary costs associated with the Nomgon-2 well and neighbouring strat-hole wells.

Board and Management

There were no changes to the Board or Management during the quarter.

Non-executive Director Ms Anna Sloboda was appointed to the Board post the end of the quarter.

Annual and other General Meetings

The Company's 2020 Annual General Meetings was held in the quarter. All resolutions put to the meeting were passed.

Appendix 5B Disclosures

The attached Appendix 5B includes an amount of $100,500 in items 6.1 and 6.2 (total) which constitutes salary and wages for the Managing Director and non-executive director fees paid during the quarter. There were no other related party transactions.

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SUMMARY OF PETROLEUM TENEMENTS HELD AS AT 30 SEPTEMBER 2020

	% Interest	Tenement	Location
Held at end of quarter	100%	Nomgon IX CBM PSC	Southern Mongolia
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.com.au

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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 2020**

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (3 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	-	
1.2	Payments for		
	(a) exploration & evaluation (if expensed)	-	
	(b) development	-	
	(c) production	-	
	(d) staff costs	(69)	(69)
	(e) administration and corporate costs	(238)	(238)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	1	1
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Government grants and tax incentives	37	37
1.8	Other (provide details if material)		
1.9	**Net cash from / (used in) operating activities**	**(269)**	**(269)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) exploration & evaluation (if capitalised)	(804)	(804)
	exploration rent and other local fees	-	-

+ See chapter 19 of the ASX Listing Rules for defined terms

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Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (3 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**	**(804)**	**(804)**
3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	621	621
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	(4)	(4)
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**	**617**	**617**
4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	3,299	3,299
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(269)	(269)

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (3 months) $A'000**
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(804)	(804)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	617	617
4.5	Effect of movement in exchange rates on cash held	(2)	(2)
4.6	**Cash and cash equivalents at end of period**	**2,841**	**2,841**

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	2,821	3,279
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)**	**2,841**	**3,299**

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	69
6.2	Aggregate amount of payments to related parties and their associates included in item 2	31

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

Total payments of $100k to related parties for the quarter consisted of non–executive directors' fees and executive director salaries.

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7.	Financing facilities *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**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)	(269)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	(804)
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(1,073)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	2,841
8.5	Unused finance facilities available at quarter end (Item 7.5)	-
8.6	Total available funding (Item 8.4 + Item 8.5)	2,841
8.7	**Estimated quarters of funding available (Item 8.6 divided by Item 8.3)**	**2.65**
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.

28 October 2020

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.

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