



**Elixir Energy**

**ASX ANNOUNCEMENT**

**ASX : EXR**

**29 OCTOBER 2021**

## **QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2021**

### **HIGHLIGHTS**

- Highly encouraging results from early stage production testing at Nomgon
- Elixir's ongoing exploration program adds another coal bearing sub-basin at Richcain
- Recently announced hydrogen strategy underpinned by MOU with the Government

### **MANGAGING DIRECTOR'S REPORT TO SHAREHOLDERS FOR THE QUARTER**

The global energy sector has seen widespread extreme prices – particularly for gas – in the last quarter. The reasons for this are multiple, interactive and complex.

In our view, Elixir can draw considerable comfort that these drivers are highly supportive of the Company's strategy to explore for gas - and our complementary hydrogen production opportunity – just North of the Chinese border in Mongolia.

What is commonly called the “energy transition” from the current fossil fuel dominated global energy supply matrix to one that will need massive amounts of carbon neutral energy supplies will be long and disruptive. The current very high prices show the consequences of this in commodity markets and the impact of COVID in numerous areas has exacerbated the issue materially.

Recent events have ranged from: poor wind conditions in Europe; hurricane related reductions in US oil and gas supplies; disruptions to the maintenance of Russian gas supply infrastructure; faster than expected energy demand increases; stronger than normal OPEC production discipline; strong Chinese policies to reduce local pollution levels; etc.

We draw out the following conclusions for Elixir:

1. The desire for reliability of energy supply will have been strengthened – and in our view China would view very nearby Mongolian gas resources as presenting much less supply risks than further flung alternatives.
2. The role of gas as a long term bridging fuel to support the introduction of ever more intermittent renewables has been reinforced.
3. Notwithstanding the evident growing pains, the energy transition will not be held back – and Elixir's hydrogen strategy takes advantage of the laws of physics rather than wishful thinking – namely that supplying hydrogen to China will be massively advantaged by immediate proximity.

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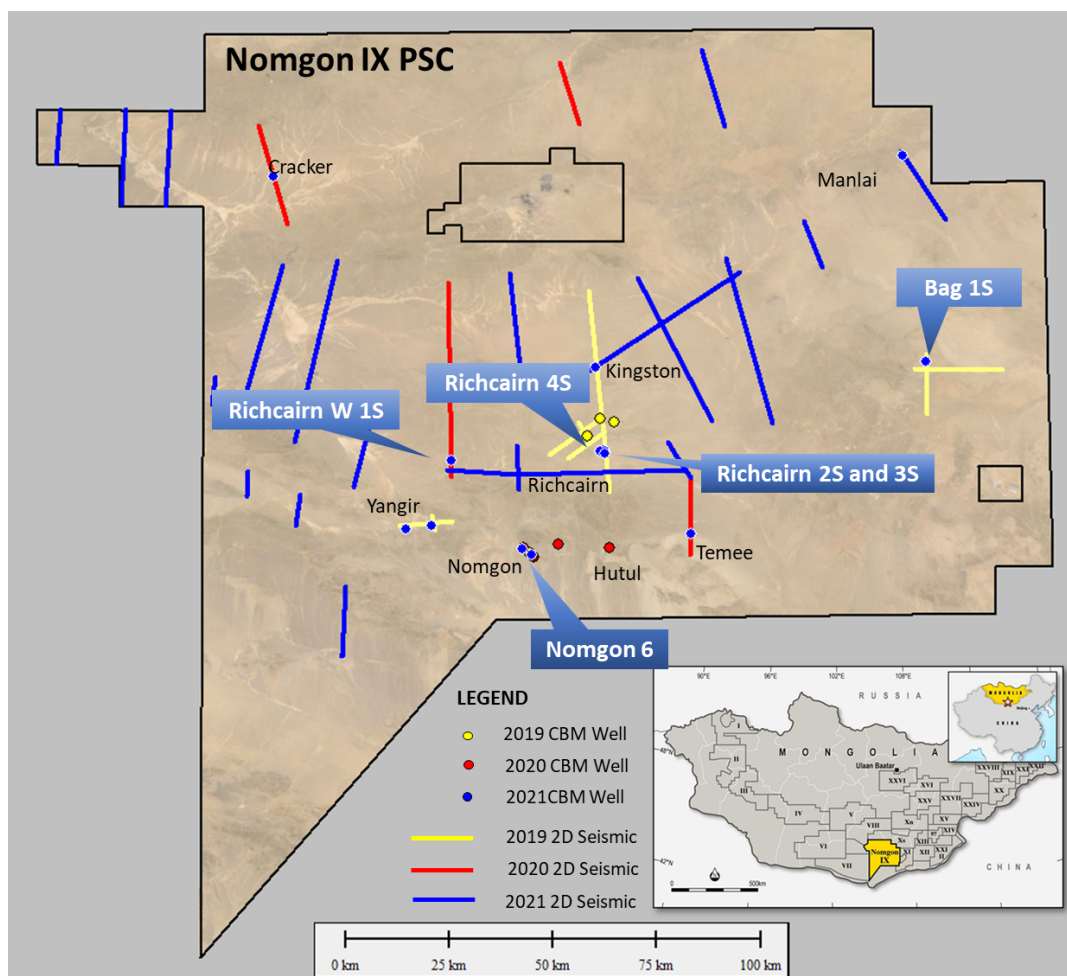
We recently announced the test results of the Nomgon 6 well, which was designed to give us the first stage production data we need for next year's full blown pilot production program. These results were extremely promising, with:

- The early flow of gas to surface, validating the high gas saturation levels previously assessed.
- High water flow rates of 280 barrels of water per day.
- Both of these factors are highly supportive of positive CBM production economics, through factors such as cost & design of wells, the shape of the gas production curve and early cash-flows.
- Measurements of water salinity levels, which feed into water handling design parameters.

Our exploration program has continued in parallel with the Nomgon sub-basin testing program. In the quarter we added another coal-bearing sub-basin at Richcairn and appraisal work here is ongoing. Further exploration wells at Bag and Richcairn West are following in the balance of this calendar year.

Our "rinse and repeat" model of progressively adding coal bearing sub-basins to our inventory has now established four such sub-basins – Nomgon, Yangir, Kingston and Richcairn. The latter was identified on seismic alone – a first for Elixir.

In addition to drilling, we are around half way through a second phase 300 kilometre 2D seismic acquisition program, which is designed to provide an inventory of more and more drilling targets under the "rinse and repeat" model.



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The design and costing of the 2022 pilot program is well underway and we aim to submit the results of this to the relevant Government authorities before the end of the year, as part of the annual approvals processes. I will travel to Ulaanbaatar shortly, for the first time since January 2020, with a view to engaging with the regulators on this (and other matters) and also with our multiple other in-country stakeholders.

COVID remains wide-spread in Mongolia, albeit its impact is reduced by a widespread vaccination program. The pandemic (or now effectively endemic) continues to interrupt our operations from time to time, but our team has remained very adaptable in dealing with the challenges this has thrown up. This has been recently illustrated by the excellent efforts to manage the complex Nomgon 6 test program – the first such program in the country – with our online Australian team interacting very well with the onsite Mongolians.

Like many other oil and gas companies, Elixir has carefully considered what new business opportunities the energy transition might offer it that take advantage of its existing skill-sets and do not present a value destructive distraction. We consider that successfully operating a gas exploration business in Mongolia has required the development of key functional relationships with Governments and communities at multiple levels – and those same stakeholders are highly relevant to the development of a green hydrogen business in the same region.

As the first mover in this area, we have recently signed a MOU with Mongolia's Ministry of Energy to work with it in exploring hydrogen opportunities and other stakeholders are also being progressively engaged. In the meantime, we are garnering bankable quality renewable resource data in the region from our SODAR equipment.

Our desktop analysis has concluded that the combination of wind and solar resources in the Gobi region is exceptional – and the locational advantages this region brings in terms of immediate proximity to e.g. Chinese steel mills, should place green hydrogen produced here firmly in the globally lowest delivered cost category.

From time to time, I undertake online presentations or interviews and these are available on Elixir's website and our own Youtube channel. Here is a link to a recent one with Crux Investors - <https://youtu.be/Z-XxBuWTcXo>

## 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.

The PSC has a minimum ten year exploration period and a thirty year (extendable) production period. Elixir is currently ahead of its exploration expenditure commitments under the PSC, even notwithstanding the unexpected force majeure event that is COVID-19.

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

- Drilling the following wells:
  - The Nomgon Central-1 and Nomgon 6 core-holes.
  - The Kingston-2S, Kingston-3S, Richcairn-1S and Richcairn-2S strat-holes.
- Commencing the acquisition of a second phase 2D seismic program for the year, targeting an additional 300 kilometres in addition to the 220 kilometres already acquired, processed and interpreted.

All work was undertaken safely, without environmental incident and in accordance with COVID-19 related protocols.

## HYDROGEN STRATEGY

Post the end of the quarter the Company announced the entering into of a Memorandum of Understanding (MOU) with Mongolia’s Ministry of Energy under which the parties will seek to investigate the potential for hydrogen in Mongolia.

Elixir has deployed a SODAR unit in the area of its operations in the South Gobi to measure wind and solar renewable resources to a bankable standard.

## OTHER ASSETS

Elixir’s only remaining legacy interest outside of the Nomgon PSC is a long established US domiciled subsidiary that holds an escrowed cash bond pledged to a third party worth ~US\$0.6 million, covering a possible abandonment liability of a similar amount. The Company continues to work through mechanisms to close this legacy issue out.

## CORPORATE AND FINANCIAL

### *Capital raising*

There was no capital raising during the quarter.

### *Changes in Issued Capital*

	Number
Opening ordinary shares 30 June 2021	891,013,376
Shares issued	0
Closing ordinary shares on 30 September 2021	891,013,376

There were no changes in issued capital in the quarter and the fully diluted equity structure of Elixir as at 30 September 2021 was as follows:



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Security type	Number
Ordinary shares	891,013,376
Class C performance rights	16,000,000
Unlisted employee options	5,330,000

### **Financial**

Elixir's cash reserves as at 30 September 2021 were \$30.9 million. The Company has no debt.

During the quarter, the Company spent \$1.8 million on exploration activities, primarily on drilling, seismic acquisition/processing, G&G and other ancillary costs.

### **Board and Management**

No changes to Board and Management occurred in the quarter.

### **Annual and other General Meetings**

No General Meetings were held during the quarter.

### **Appendix 5B Disclosures**

The attached Appendix 5B includes an amount of \$272,000 in items 6.1 and 6.2 (total) which constitutes compensation for the Managing Director and non-executive director fees paid during the quarter. In addition, \$37,000 was paid to Key Management Personnel for services provided. There were no other related party transactions.

### **SUMMARY OF PETROLEUM TENEMENTS HELD AS AT 31 MARCH 2021**

	% Interest	Tenement	Location
<b>Held at end of quarter</b>	100%	Nomgon IX CBM PSC	Southern Mongolia
<b>Acquired during quarter</b>	-	-	-
<b>Disposed during quarter</b>	-	-	-

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](http://www.elixirenergy.com.au)

## Appendix 5B

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

Name of entity		
<b>Elixir Energy Limited</b>		
ABN		Quarter ended ("current quarter")
<b>51 108 230 995</b>		<b>30 September 2021</b>

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
<b>1.</b>	<b>Cash flows from operating activities</b>		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation (if expensed)	-	-
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(241)	(241)
	(e) administration and corporate costs	(101)	(101)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	11	11
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)	-	-
<b>1.9</b>	<b>Net cash from / (used in) operating activities</b>	<b>(331)</b>	<b>(331)</b>

<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	(62)	(62)
	(d) exploration & evaluation (if capitalised)	(1,684)	(1,684)
	exploration rent and other local fees	(67)	(67)

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	<b>Net cash from / (used in) investing activities</b>	<b>(1,813)</b>	<b>(1,813)</b>
3.	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
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	<b>Net cash from / (used in) financing activities</b>	<b>-</b>	<b>-</b>
4.	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	<b>32,780</b>	<b>32,780</b>
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(331)	(331)

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)	(1,813)	(1,813)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	266	266
4.6	<b>Cash and cash equivalents at end of period</b>	<b>30,902</b>	<b>30,902</b>

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	30,882	12,761
5.2	Call deposits	20	20,020
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>30,902</b>	<b>32,780</b>

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	241
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 \$309k to related parties for the quarter consisted of:

- non-executive directors' fees and executive director salaries in item 1 \$203k
- Capitalised executive directors' salaries in item 2 \$69k
- Key Management fees in item 1 \$37k



7.	Financing facilities <i>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.</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	<b>Total financing facilities</b>	-	-
7.5	<b>Unused financing facilities available at quarter end</b>		-
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.		

<b>8.</b>	<b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1	Net cash from / (used in) operating activities (Item 1.9)	(330)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	(1,752)
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(2,082)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	30,902
8.5	Unused finance facilities available at quarter end (Item 7.5)	-
8.6	Total available funding (Item 8.4 + Item 8.5)	30,902
8.7	<b>Estimated quarters of funding available (Item 8.6 divided by Item 8.3)</b>	<b>14.84</b>
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 2021

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.