



Elixir Energy

ASX ANNOUNCEMENT

ASX : EXR

21 April 2023

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 31 MARCH 2023

HIGHLIGHTS

- Nomgon pilot production project passed key production milestones
- Term Sheet executed for next stage of Gobi H2 project
- Daydream-2 well in Queensland on track for drilling by around year end

MANGAGING DIRECTOR'S REPORT TO SHAREHOLDERS FOR THE QUARTER

Last year saw Elixir progress its Nomgon CBM project to the point of gas ignition, under the first extended pilot production test in Mongolia. In the March quarter strong results from this continued, with key production milestones being passed.

We will continue to garner data from the pilot until the middle of the year and then aim to initiate a formal process with the Government to start to move to a commercial production phase. Our more regular annual CBM exploration and appraisal drilling program in the Nomgon PSC will proceed in parallel and this is due to commence very shortly.



Looking South from the Nomgon Pilot's pond to the Chinese border

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Growing interest in gas offtake from Nomgon is coming now from not only local Mongolian customers but also from within China itself. The rapid withdrawal of COVID restrictions inside China in recent months has released what appear to be strong pent up commercial animal spirits on such fronts – and this includes great interest in hydrogen as well.

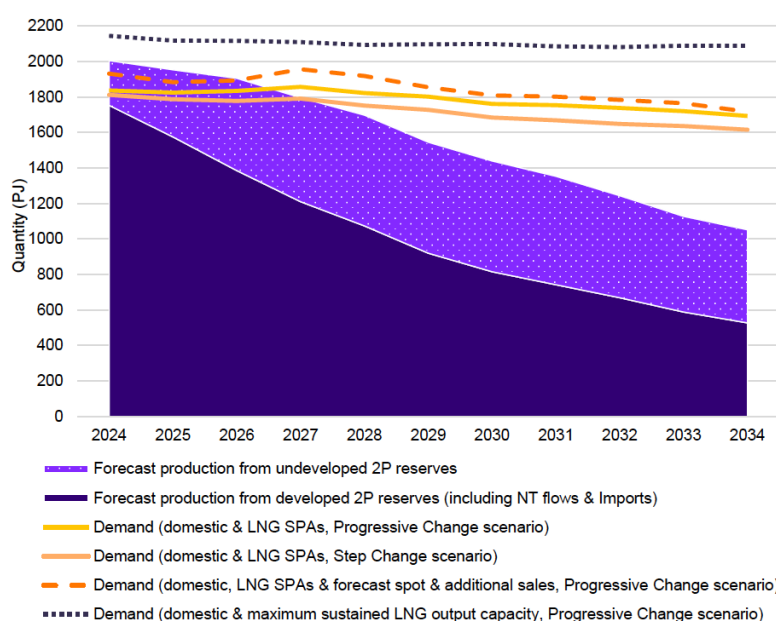
A great deal of activity in the hydrogen space is occurring inside China at present, which although not much reported in Western media, is closely followed by Elixir. For instance, energy giant Sinopec recently announced plans to construct a 400 kilometre hydrogen pipeline in the Chinese province of Inner Mongolia. In the longer term we could see it being eminently logical to extend that to the nearby nation of Mongolia - where Elixir's Gobi H2 project is leading green hydrogen developments in the country.

We were pleased in the quarter to mature the Gobi H2 project with Japan's SB Energy (a subsidiary of SoftBank Group Corp) through the execution of a Term Sheet. This moved on from our initial Memorandum of Understanding (MOU) which we signed last year and it provides a frame-work to enter into a binding 50/50 incorporated joint venture later this year. In the normal expected terms of dealing with very large Japanese companies, this is exceptionally quick progress, which we take to be to the credit of both sides – and to the fundamental attraction of Gobi H2.

There has been quite a bit recent press coverage in Australia over strongly expressed concerns from Japanese political and business leaders as to some of the recent regulatory proposals with respect to gas developments in Australia.

We believe the Federal Government is listening closely to these – as well as the reports that its own agencies (the ACCC- see below - and AEMO) have issued in recent months. There have very clearly illustrated that there is a rapidly emerging and very large gap between East Coast gas demand and supply. As a result, we think it likely that the final policy outcomes (due to be issued shortly) will not be as negative as feared some months ago – and those who own preferentially located gas resources – such as Elixir's Grandis Gas Project – will have great opportunities to assist in meeting this gas supply/demand shortfall.

Chart O.4: Forecast supply from 2P reserves and demand in the east coast, 2024–34



Source: ACCC analysis of data obtained from gas producers as at August 2022 and domestic demand from AEMO's March 2022 GSOO.



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We aim to drill the Daydream-2 appraisal well by around the end of this year. In the quarter we advanced on a number of fronts – some disclosed to the market such as the execution of an Agreement with the owner of the land where the well will be drilled – and some which, although going very well, are not yet at the point of maturity whereby formal disclosures are appropriate.

Our neighbouring licence holders in the Taroom Trough (in which the Grandis licence is located) have been busy recently - and we believe increasingly the market is starting to notice what could be Australia's next gas hot-spot. Some of our neighbours are so large that their activities are not publicly disclosed, but through our industry sources we are observing a lot of exciting activity being planned for this year.

We have previously noted that a key focus area of Elixir's is to develop as many as possible funding options for Daydream-2 – and we can now observe that the growing activity in the Taroom is increasingly facilitating that. We look forward to advising the market of our maturing plans over the course of the rest of this year in the lead up to the spud of Daydream-2.

MONGOLIAN GAS – NOMGON CBM PSC PROJECT

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 main focus areas were as follows:

- Ongoing production testing at the Nomgon Pilot Project. Key production milestones were passed of firstly 100,000 then 200,000 standard cubic feet per day (scfd).
- Workover operations were performed on the 2 pilot wells.
- In January a formal annual meeting with the petroleum regulator was held. The budget for 2023 was approved at this meeting. Subsequent to that approval, regular annual processes involving national and local environmental regulatory bodies were progressed.
- The drilling program for 2023 is due to commence shortly.

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.

The Company plans to drill an appraisal well (Daydream-2) in ATP 2044 by around the end of 2023 and that timetable remains on track. The drilling of this well will meet the key work commitment of this exploration licence.

In the quarter Elixir executed a Conduct and Compensation Agreement (CCA) with a local landowner that provides for access to this well location.

An Expression of Interest program has recently been run with respect to the engagement of drilling and other contractors for Daydream-2 and strong responses have been received and are currently being assessed.

Elixir is actively engaged with a number of parties with respect to various mechanisms to support the funding of Daydream-2 and will report on these progressively to shareholders as they mature.

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 SB Energy (SBE- a wholly owned subsidiary of SoftBank Group Corp.).

The key highlights for the March quarter were as follows:

- Elixir and SBE executed a Term Sheet to govern the next stage of their emerging partnership.
- The Term Sheet provides the Parties with a pathway to enter into a binding 50/50 joint venture contemporaneously with entering into the front end engineering & design (FEED) stage of the proposed Gobi H2 pilot project. The aim is for a decision to be made on this by around the middle of the year.

- In the quarter a pre-feasibility engineering study (PFS) into a pilot green hydrogen production project was finalized by global infrastructure consulting firm, AECOM. This provided the key background material for Elixir and SBE to make the decision to enter into the Term Sheet.
- Under ASX Listing Rules, a PFS for a “mining entity” requires certain detailed disclosures. However, a green hydrogen venture does not fit under these rules and the detailed outputs of the PFS for Gobi H2 are considered commercial in confidence.
- The ongoing collection of bankable quality wind and solar data continues. This is a key point of competitive advantage for the project – as it can only be replicated by any potential competitors over time.
- In the last month Elixir and SBE continued to regularly update various international financial institutions (such as the Asian Development Bank – ADB) based in Ulaanbaatar on the pilot project. Additional such parties were briefed on the project in the quarter. These International Financial Institutions have ever stronger mandates to support green sources of energy and as such the potential to support the Gobi H2 project is of keen interest to them.
- Elixir and SBE are engaging with a number of potential hydrogen off-takers for the pilot project.

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. For instance, in 2022 Elixir initiated a tree planting operation in the Nomgon region and plans are well underway to expand this in 2023 this as the Mongolian Spring looms.

The updating of Elixir’s website on various fronts – including providing more regular ESG updates – is nearing finalization. This will shortly include updates on the calendar based annual scope 1 and 2 emissions figures, water usage, etc.

OTHER ASSETS

Elixir’s longstanding dormant US subsidiaries were dissolved during the quarter.

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 31 March 2023 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 March 2023 were \$11.8 million. The Company has no debt.

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During the quarter, the Company spent \$1.7 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 \$176,250 in item 6.1, which constitutes compensation for the Managing Director and non-executive director fees paid during the quarter. In addition, \$42,066 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 March 2023

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 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	(176)	(578)
	(e) administration and corporate costs	(411)	(1,110)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	80	232
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	(507)	(1,456)

2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) exploration asset	-	(500)
	(b) tenements	-	-
	(c) property, plant and equipment	(58)	(478)
	(d) exploration & evaluation (capitalised)	(1,699)	(8,294)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 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	(1,757)	(9,272)
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	13,767	22,679
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(507)	(1,456)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,757)	(9,272)
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	276	(161)
4.6	Cash and cash equivalents at end of period	11,779	11,779

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	11,365	13,747
5.2	Call deposits	20	20
5.3	Bank overdrafts	-	-
5.4	Restricted cash	394	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	11,779	13,767

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	218
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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 \$218k to related parties for the quarter consisted of:

- non-executive directors' fees and executive director salaries in item 6.1 \$176K
- Key Management fees and reimbursement of expenses in item 6.1 \$42k

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)	(507)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	(1,699)
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(2,206)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	11,779
8.5	Unused finance facilities available at quarter end (Item 7.5)	-
8.6	Total available funding (Item 8.4 + Item 8.5)	11,779
8.7	Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	5.34
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.

21 April 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.