



29 APRIL 2022

**QUARTERLY ACTIVITIES REPORT FOR THE
PERIOD ENDED 31 MARCH 2022**

HIGHLIGHTS

- Program for 2022 commenced with the Tim-1 well discovering a new sub-basin
- Extended pilot production project on track to commence in mid-year
- Gobi H2 project progressing on multiple front

MANGAGING DIRECTOR'S REPORT TO SHAREHOLDERS FOR THE QUARTER

Last quarter we commented upon the related phenomena of exceptionally high gas prices and the staggered emergence of the World from COVID-19. In the March quarter the Ukraine war erupted and arguably reinforced the strong secular trends giving rise to high oil – and gas in particular – prices. In the meantime, the impacts of the pandemic have not gone away – in the short term at least – especially in Mongolia's neighbour to the South.

China hosted the Winter Olympics in February and during that event China and Russia announced a new gas supply agreement. Although it was not explicitly stated, the source of gas for this appeared to be from the East Siberian island of Sakhalin, which could presumably deliver gas by pipeline directly to China (Sakhalin already supplies LNG, primarily to Japan).

The separate Power of Siberia 2 pipeline project – to take gas from North Western Siberia to China via Mongolia – was not explicitly mentioned at the time, but planning for this in Mongolia by Gazprom has been proceeding ahead.

However, recent public indications of Russian exits by most of the Western oil and gas Majors and service companies, could well lead to delays in these pipeline plans. Development of the new and complex gas fields required to supply these pipeline projects will be more challenging if there are ongoing restrictions in accessing cutting edge oilfield technologies. Chinese demand for gas is expected to remain robust – and will focus on security as well as price.

CBM located just North of the Chinese border in Mongolia becomes an even more attractive supply option for China in these changing circumstances. In addition to the geographical advantages of immediate proximity and the geo-political advantages of a low risk country from China's point of view - appraising CBM is lower cost than for e.g. offshore Siberian gas fields.

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In addition to this specific feature for Mongolia (and Elixir), many global energy commentators consider that the structural support for global gas markets (in terms of pricing and duration) are stronger than they were a few months ago.

At the start of every calendar year, we go through a process of procuring approvals for our upcoming work from the Mongolian petroleum regulator and other environmental and local Government regulators. Procuring formal approvals from the petroleum regulator in the March quarter allowed the start of our drilling campaign for 2022 – with the recent Tim-1 well giving rise to the discovery of a new coal-bearing sub-basin.

A primary focus for the year is Elixir's (and Mongolia's) first extended pilot production test – which will seek to establish commercial flow rates of gas. If successful, this important breakthrough will be a key foundation stone for the country's first gas fired generation project. Additionally, and arguably more significantly, the de-risking achieved will demonstrate to be broader oil and gas industry that, in only a few years and at modest cost, Elixir has moved CBM in Mongolia from concept to commercial reality.

The wells for the pilot are due to spud in mid-year. The pilot project requires equipment (such as pumps, casing, skids, etc) to be imported from various locales outside Mongolia. These have been ordered and are on their way to the country. We have hired international drilling firm Major Drilling to drill and complete the pilot wells.



Elixir's production skids for the pilot project

In parallel, our typical exploration/appraisal work – now in its fourth year – commenced in the quarter and will be ongoing for the rest of the year. We have been acquiring seismic, undertaking field scouting work, progressing desktop technical work, etc – and we have hired two other drilling contractors that we are familiar with (Top Diamond Drilling and Ellecohr) to drill throughout the year in many well locations across the PSC area.

In addition to meeting required legal processes with local Governments and residents, Elixir has always considered it vital to build a deeper social licence with these stakeholders through various forms of investment and support. For example, as part of a new, President led, program in Mongolia to plant "one billion trees" (with carbon storage, bio-habitat, desertification prevention, amenity, etc, benefits), Elixir is currently investing in a tree project in the Soum in which its pilot project is located.



Camel polo in the South Gobi on 6 March 2022 – proudly supported by Elixir

We noted above that the Ukraine war has led to what we consider to be a strong secular boost to global gas markets for decades to come. However, the requirement for a longer term transition to cleaner energy forms to address the risks of anthropogenic global warming has not gone away, and Elixir continues to vigorously pursue its *Gobi H2* green hydrogen project in Mongolia.

The key building blocks of a successful green hydrogen project are: confirming the bankability of renewable energy inputs; procuring local water supplies; identifying sources of finance (hopefully concessional given the public good involved); discussions with potential equity partners; confirming market options; engineering work on a pilot project; and, liaising with Governments and local communities. Elixir has progressed all of these in the quarter.

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 caused by COVID-19 in recent years.

During the quarter the Company commenced its exploration and appraisal program for 2022, following the required annual formal approval of the petroleum regulator and other Government bodies. To date in the year, the Company’s focus has been on the following areas:

- Drilling the Tim-1 exploration well. This well discovered a new coal-bearing sub-basin and is being appraised with the Tim-2 well.
- Formally contracting with three separate drilling companies – Top Diamond Drilling, Ellecohr and Major Drilling – for various aspects of 2022’s program.
- Planning for the Company’s extended pilot production test, which is due to start in the middle of the year. Various long lead items were ordered from various locations and sent onwards to Mongolia.
- Commencing the acquisition of a 322 kilometre 2D seismic program for the year. This is expected to be finalized in the June quarter and will be progressively processed and interpreted.
- Field mapping across various areas in the PSC.

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

GOBI H2 PROJECT

During the quarter the Company continued to progress its green hydrogen project in Mongolia – the *Gobi H2* project, with the following highlights:

- Installation of Australian made solar monitoring equipment at the *Solar Ilch* solar farm project site. Work required to update the site’s environmental impact assessment (EIA) was also progressed.
- Ordering two new Australian made wind/solar monitoring units (Sodars).
- Identifying favourable locations for their installation in two new Soums (local Government areas) in the South Gobi region.
- Identifying sites with local water drilling experts for water exploration drilling, due to commence in the June quarter.
- Ongoing gathering of wind and solar renewable resources data from the Company’s existing Sodar unit, to a bankable standard.
- Briefing the Soums on the opportunities that a future green hydrogen business would bring to their areas.
- Providing data on the Gobi H2 project to various international and local financial institutions based in Ulaanbaatar, with a view to positioning for future project finance.
- Briefing various Ministries of the Mongolian central Government on the project.

- Discussions with potential project partners.
- Ongoing market analysis of potential customers in China.

OTHER ASSETS

Elixir's longstanding US subsidiaries remained dormant.

CORPORATE AND FINANCIAL

Capital raising

There was no capital raising during the quarter.

Changes in Issued Capital

There were no changes in issued capital in the quarter. The fully diluted equity structure of Elixir as at 31 March 2022 was as follows:

Security type	Number
Ordinary shares	891,733,376
Unlisted performance rights	26,200,000
Unlisted employee options	6,330,000

Financial

Elixir's cash reserves as at 31 March 2022 were \$25.3 million. The Company has no debt.

During the quarter, the Company spent \$2.4 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

There were no General Meetings held during the quarter.

Appendix 5B Disclosures

The attached Appendix 5B includes an amount of \$208,000 in item 6.1 which constitutes compensation for the Managing Director and non-executive director fees paid during the quarter. In addition, \$39,081 was paid to Key Management Personnel for services provided. There were no other related party transactions.

SUMMARY OF PETROLEUM TENEMENTS HELD AS AT 31 DECEMBER 2021

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



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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 2022

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 (if expensed)	-	-
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(208)	(625)
	(e) administration and corporate costs	(240)	(843)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	5	22
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	(443)	(1,446)

2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	(32)
	(d) exploration & evaluation (if capitalised)	(2,387)	(5,931)
	exploration rent and other local fees	-	(67)

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	(2,387)	(6,030)
3. Cash flows from financing activities			
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	Net cash from / (used in) financing activities	-	-
4. Net increase / (decrease) in cash and cash equivalents for the period			
4.1	Cash and cash equivalents at beginning of period	28,355	32,780
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(443)	(1,446)

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)	(2,387)	(6,030)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	(218)	3
4.6	Cash and cash equivalents at end of period	25,307	25,307

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	25,287	28,335
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)	25,307	25,355

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	208
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 \$215k 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 \$208k • Key Management fees in item 6.1 \$39k 		

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	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)	(443)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	(2,387)
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(2,830)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	25,307
8.5	Unused finance facilities available at quarter end (Item 7.5)	-
8.6	Total available funding (Item 8.4 + Item 8.5)	25,307
8.7	Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	8.94
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.

29 April 2022

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.