



31 JANUARY 2022

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 31 DECEMBER 2021

HIGHLIGHTS

- Strong results from production testing at Nomgon feeding into 2022 pilot program
- A total of 17 wells drilled in 2021, with 65% intersecting coals in the CBM window
- Gobi H2 Project progressing on multiple fronts

MANGAGING DIRECTOR'S REPORT TO SHAREHOLDERS FOR THE QUARTER

One of the highlights of the last quarter was being able to return to Mongolia for a few weeks for the first time since January 2020, when a certain pandemic launched itself upon the world.

In the two years since then Elixir has made enormous strides forward, of which the highlights include: making Mongolia's first gas discovery; booking contingent resources to underpin a pioneering gas fired power project; adding new sub-basins that host coals in the CBM depth window; greatly strengthening the corporate balance sheet; developing a broad in-country team backed up by Australian technical experts; etc.

All this was done whilst Mongolia faced ever-changing challenges from COVID. The resilience of our Mongolian team in navigating these shifting pandemic shoals was again recently formally recognized by the Mongolian Government when for the second year in a row we were recognized as "Investor of the Year" by the Mongolian Ministry of Mining and Heavy Industry. Building and maintaining such key stakeholder relationships is vital for a resources company in any jurisdiction – even more so when one is a foreign guest in a proud country like Mongolia.

We considered that these stakeholder management skills were a foundation upon which we could build a new energy business in Mongolia – what we have now called the **Gobi H2** Project. This Project seeks to leverage Mongolia's key energy supply advantage – immediate proximity to the world's largest energy importer – by supplying China with green hydrogen in the future.

When in Mongolia in November, I visited the location of a pre-development solar farm asset that we recently purchased, and also checked out the wind monitoring SODAR equipment installed earlier last year. Seeing them personally really brings home that these are only a few tens of kilometres from China – and the key source of competitive advantage in supplying hydrogen in the future will be minimizing the very high costs of delivering hydrogen.

ASX ANNOUNCEMENT

It is increasingly my view that **Gobi H2** is emerging as one the best potential green hydrogen export projects globally. It has the key ingredients of: immediate proximity to market; great renewable resources; access to groundwater supplies; etc.

What we are also very pleased to see is growing interest and support inside the country from the Government (central and local), International Financial Institutions; local financial institutions; engineering outfits; etc. We are solidifying this support through mechanisms such as Memoranda of Understanding (MOUs) with the likes of the Ministry of Energy and the Mongolian Green Finance Corporation.

Over the course of 2022 we aim to build upon this platform through: feasibility work on a pilot plant; garnering in principle project finance support for the pilot; firming up water supplies for the medium and longer terms; engaging with potential local and Chinese customers; etc. Although we would not have to chase any equity partners given the project financeability of the pilot project, naturally we would be open to partnering discussions with the wide range of global energy companies who are increasingly seeking out hydrogen related opportunities.



Elixir's Solar Ilch site in Mongolia

Last quarter we commented upon the very high prices for gas then seen in global markets. If anything, since then this phenomenon has strengthened. Spot prices in both Europe and Asia have been sustained above US\$30/mmbtu for months – an incredible position that gas markets have never seen before.

These prices support the view that although renewables have grown rapidly and seen major cost reductions, the energy transition will be lengthy and gas will play an absolutely vital role in assisting the move to a much lower carbon system for many decades to come. Gas is a necessity for which high prices will have to be paid if necessary – now and for many years to come.

This was recently recognized even by the European Commission, which has designated gas (and nuclear) power sources as “green”, given their key long term role in aiding the transition to a cleaner energy system.

The heavily coal dependent Chinese energy system does of course already strongly support a very important role for gas in making that system cleaner (and recently multiple Chinese sources of support for hydrogen – from both the Government and private sector – are also emerging).

In December, Mongolia’s President visited Moscow and emphasised his country’s support for the proposed Power of Siberia 2 pipeline from Northern Siberia to China via Mongolia. A day later Presidents Xi and Putin also discussed the importance of this project for their countries. Security of gas supply can be even more important than price for buyers and this is also one of Mongolia’s key competitive advantages in underwriting the development of a new gas export industry.

Elixir’s field operations in the quarter continued to support this development. The main milestone passed was the very successful outcome of the Nomgon-6 well (as outlined in detail in the last quarterly report). This well flowed water and gas to surface in a highly favourable fashion – allowing the design of a long term pilot production program which will be undertaken later this year.

Additionally, the ongoing application of our customary exploration and appraisal tools of 2D seismic acquisition and low cost drilling continued throughout the quarter. Over the course of 2021 Elixir drilled 17 wells of which 65% encountered coals in the CBM depth window – in our view an excellent strike rate.

Our 2022 program will focus on both the pilot production program and ongoing exploration/appraisal drilling/seismic and we will look to drill even more wells this year.

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 Richcairn-4 core-holes.
 - The Richcairn-3S, Richcairn-1S, Bag-1S and Nomgon-7S strat-holes.
- Completing the acquisition of a second phase 2D seismic program for the year. In total 528 kilometres of 2D was acquired. This is being progressively processed and interpreted.

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

GOBI H2 PROJECT

During and post the end of the quarter the Company announced the following developments with respect to its proposed green hydrogen project in Mongolia – the Gobi H2 Project:

- Results of an independent desktop study into the comparative quality of the combined wind/solar resources in the Gobi – which concluded they were exceptional.
- Acquiring the 50MW pre-development *Solar Ilch* solar farm project for consideration of 720,000 ordinary Elixir shares.
- The appointment of Elixir’s Managing Director, Mr Neil Young, as Deputy Chairman of the *Future Energy – Mongolian Hydrogen Council*.
- Entering into of a Memorandum of Understanding (MOU) with the Mongolian Green Finance Corporation.
- Providing legal analysis to various stakeholders, including the Mongolian Government, that concluded the development of a green H2 industry in the country did not need material legal changes.
- Executing an agreement with local experts to provide water advisory services.
- Ongoing gathering of wind and solar renewable resources data 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 September 2021	891,013,376
Shares issued	720,000
Closing ordinary shares on 31 December 2021	891,733,376

In the quarter 720,000 ordinary shares were issued as consideration for the Mongolian company Solar Ilch LLC.

Additionally, following the AGM, 10,200,000 performance shares were issued to staff, including the Managing Director and 1,000,000 incentive option were issued to Non-executive Director, Anna Sloboda. The fully diluted equity structure of Elixir as at 31 December 2021 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 December 2021 were \$28.4 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

The Company held its Annual General Meeting on 28 October 2021. All resolutions put to the meeting were approved by shareholders.

Appendix 5B Disclosures

The attached Appendix 5B includes an amount of \$176,250 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, \$29,997 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 December 2021

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 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	(176)	(417)
	(e) administration and corporate costs	(502)	(603)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	6	17
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	(672)	(1,003)

2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	(62)
	(d) exploration & evaluation (if capitalised)	(1,830)	(3,514)
	exploration rent and other local fees	-	(67)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 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	(1,830)	(3,643)
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	30,902	32,780
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(672)	(1,003)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,830)	(3,643)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	(45)	221
4.6	Cash and cash equivalents at end of period	28,355	28,355

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	28,335	30,882
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)	28,355	30,902

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	164
6.2	Aggregate amount of payments to related parties and their associates included in item 2	42
<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 \$206k 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 1 \$141k • Capitalised executive directors' salaries in item 2 \$21k • Key Management fees in item 1 \$23k • Key Management fees in item 2 \$21k 		

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)	(672)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	(1,830)
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(2,502)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	28,355
8.5	Unused finance facilities available at quarter end (Item 7.5)	-
8.6	Total available funding (Item 8.4 + Item 8.5)	28,355
8.7	Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	11.33
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.

31 January 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.