

**29 JULY 2021**

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 30 JUNE 2021

HIGHLIGHTS

- Successful capital raising in the quarter
- Very strong balance sheet funding expanded work program for many years
- Multiple wells drilled and coals now measured in a new sub-basin

MANGAGING DIRECTOR'S REPORT TO SHAREHOLDERS FOR THE QUARTER

During the quarter Elixir successfully undertook a capital raising which massively strengthened our balance sheet. We had around \$33 million in the bank at 30th June and this has facilitated the acceleration of our exploration and appraisal work program in the country.

The program has already borne fruit with the identification of a new coal basin at Kingston (Refer ASX:EXR Operations Update 20 July 2021). Given the low cost nature of CBM drilling in Mongolia and the relatively modest exploration commitments under the PSC, we are fully funded for many years to come.

We own 100% of our PSC, which provides for great flexibility in managing our work program compared to the usual scenario in the oil and gas industry of working with joint venture partners. That has been recently demonstrated through the rapid expansion of our 2021 work program, which in the case of a joint venture would have no doubt required lengthy and possibly blocking negotiations with a partner.

As our asset matures, having a 100% ownership position gives us the maximum possible optionality in dealing with the possible co or sole developers of the asset, on our terms.

The technical program for the quarter consisted of drilling 6 wells and acquiring 220 km of 2D seismic. Two wells were drilled in the Yangir sub-basin and both intersected substantial gas saturated coal seams. The last well to spud in the quarter was Kingston-1S, which intersected 12 metres of coal in a previously un-discovered depocentre. All wells drilled and seismic acquired continue to add significant information to our geological knowledge in this highly under-explored area.

We have now identified 3 sub-basins of potential CBM resource holding interest in the PSC: Nomgon, Yangir and Kingston. Further appraisal drilling work at the first of these is imminent – with a view to undertaking the first stage of production testing work in the months to come. Yangir hosted very thick coals (measured at 50 metres) and “pipeline quality” gas composition with minimal CO₂. The work at Kingston is still ongoing.

ASX ANNOUNCEMENT

We have two drilling companies working at present and expect many more wells to come in the balance of 2021 - and the years thereafter.



Night-time drilling in the South Gobi

On the COVID front, Mongolia has been experiencing what much of the rest of the World (including Australia) is currently, or will have to, face in the months to come. This is the combination of a high vaccination rate and still ongoing community transmission – but reduced medical impacts. The Government responses will be familiar to our Australian readers, with changing limitations on work and social fronts, including lock-downs and travel restrictions.

Our local team and sub-contractors have been resilient in adapting to what has been thrown at them, including such actions as remaining in the field for months to avoid transmission risks. For that we thank them.

The Government of Mongolia has also managed to get on with business in the face of COVID, including conducting a Presidential election in June which saw a recent Prime Minister ascend to that position.

Closer to home, it has been pleasing to see the machinery of Government with respect to our petroleum industry peers has still been functioning effectively, with for instance AIM listed Petro Matad being granted a production licence for crude oil in the country's East. We have submitted an expanded budget to the petroleum regulator for our updated 2021 work program and that is being processed at present.

We also continue to methodically expand options for our new clean energy business focused on the very high quality renewables resources of the South Gobi region. As foreshadowed in the last quarterly report, we have now shipped an Australian manufactured SODAR unit to Mongolia to be used to measure wind resources to a “bankable” level.

We are also looking at solar projects in the same area and engaging with relevant stakeholders with respect to a possible green hydrogen project. As noted in the last quarterly, we consider Mongolia to be exceptionally well located to produce and supply green hydrogen to possible material future customers such as Chinese steel mills located in Inner Mongolia.

Although we consider pursuing such clean energy options is basically good business, doing so can also be very well received by investors who increasingly desire their investee companies to meet high Environmental, Social and Governance (ESG) standards.

Elixir has adopted a globally recognised ESG framework designed by the World Economic Forum (WEF) and has engaged impact monitoring technology company, Socialsuite, to measure our performance against that. Updates are provided in the ESG section on our website.

Post the end of the quarter, I was elected as a Director of the Business Council of Mongolia (BCM), which attests to the depth and endurance of the Company's relationships in the country. Other Directors include representatives from some of Mongolia's largest local companies, as well as from foreign investors such as Rio Tinto. I look forward to contributing to the BCM's mission of supporting the country's business environment for locals and foreign investors alike.

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 Yangir-2 and West-Yangir-1 core-holes
 - The Temee-1S, Cracker-1S, Manlai-1S and Kingston 1S strat-holes.
- Acquiring 220 kilometres of 2D seismic. This is currently being processed and interpreted.
- Planning for an expansion of the original 2021 program, including a new total of 20 wells for the calendar year and acquiring another 300 kilometres of 2D seismic. Required regulatory approvals for this have been lodged and the processing thereof is under way.

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

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

During the quarter the Company announced the successful closing of a placement under which 27,778,778 shares were issued at a price of 36c/share, raising \$10 million (before costs). A Share Purchase Plan (SPP) which immediately followed the placement raised \$16.6 million from 1,400 shareholders, on the same terms as the placement.

Changes in Issued Capital

	Number
Opening ordinary shares 31 March 2021	811,151,916
Shares issued under the placement and SPP	73,861,460
Exercise of unlisted options	6,000,000
Closing ordinary shares on 30 June 2021	891,013,376

ASX ANNOUNCEMENT

The fully diluted equity structure of Elixir as at 30 June 2021 was as follows:

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 June 2021 were \$32.8 million. The Company has no debt.

During the quarter, the Company spent \$1.5 million on exploration activities, primarily on annual Government rents & fees, drilling 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 \$127,000 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, \$219,000 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
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)
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		30 June 2021

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 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	(182)	(568)
	(e) administration and corporate costs	(194)	(764)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	3	6
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Government grants and tax incentives	-	46
1.8	Other (provide details if material)		
1.9	Net cash from / (used in) operating activities	(373)	(1,280)

2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	(58)	(58)
	(d) exploration & evaluation (if capitalised)	(1,515)	(3,777)
	exploration rent and other local fees	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 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	(1,573)	(3,835)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	27,190	35,264
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	(664)	(670)
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	26,526	34,594
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	8,194	3,299
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(377)	(1,280)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,573)	(3,835)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	26,526	34,594
4.5	Effect of movement in exchange rates on cash held	9	1
4.6	Cash and cash equivalents at end of period	32,779	32,779

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	12,760	8,174
5.2	Call deposits	20,020	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)	32,779	8,194

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	194
6.2	Aggregate amount of payments to related parties and their associates included in item 2	25
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 \$219k to related parties for the quarter consisted of: • non-executive directors' fees and executive director salaries in item 1 \$127k • Capitalised executive directors' salaries in item 2 \$nil • Key Management fees in item 1 \$67k • Key Management fees in item 2 \$25k		

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)	(374)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	(1,515)
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(1,889)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	32,779
8.5	Unused finance facilities available at quarter end (Item 7.5)	-
8.6	Total available funding (Item 8.4 + Item 8.5)	32,779
8.7	Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	17.36
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 July 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.