

30 January 2018

**QUARTERLY ACTIVITIES REPORT FOR THE  
PERIOD ENDED 31 DECEMBER 2017****HIGHLIGHTS**

- The acquisition of Golden Horde Limited (GOH) for 79 million Elixir shares progressing with a number of conditions precedent now having been met
- Mongolia focused coal bed methane (CBM) technical workshop held in Brisbane completing Elixir's technical due diligence on GOH's Mongolian CBM PSC Area
- Workshop reaffirmed the multi Tcf potential of Project Khiimori within the PSC area, which extends for over 7 million acres (28,000 km<sup>2</sup>) in a highly prospective coal basin in the South Gobi desert, adjacent to the Chinese border
- Mongolian government approval process progressing in accordance with previous guidance with timing expectation of Q1 2018 for final execution of the PSC currently on track
- Moselle Permit renewed by French authorities on 23 December 2017 to 20 January 2019 following the passing of new laws on future hydrocarbon exploration and production activities in France
- Elixir in the process of lodging an application for a three year exceptional extension for the Moselle Permit due to extended renewal process
- Cash resources of approximately \$2.8 million which is sufficient to fund the proposed 2018 exploration programme

**EXECUTIVE SUMMARY**

During the quarter ended 31 December 2017, Elixir Petroleum Limited (**ASX:EXR**) (Elixir or the Company) signed a binding Terms Sheet with GOH to secure an option to acquire a potentially transformational CBM opportunity in Mongolia, which was announced to ASX on 17 October 2017.

The option, secured for \$25,000 through to 30 September 2018, provides Elixir with an exclusive right to acquire GOH for 79 million shares if the Production Sharing Contract (PSC) is awarded to GOH and other conditions precedent are met by both Elixir and GOH (the Acquisition).

The PSC area (named Nomgon IX) covers over 7 million acres, lies adjacent to the Chinese border, and is ideally placed for future gas sales both locally and into the extensive Northern China gas transmission and distribution network.

On 19 January 2018, Elixir hosted a workshop with a group of Brisbane based CBM technical experts to discuss the forward exploration and development plan for Project Khiimori. The expert group reaffirmed the Company's view that the key ingredients exist for a potentially large scale CBM

project in the South Gobi desert area of Mongolia. The workshop was a major step forward for the Company on its technical understanding of Project Khiimori and was the final step in Elixir completing its technical due diligence.

Contemporaneously with the announcement of the Acquisition, Elixir announced that it had completed a heavily oversubscribed placement for \$1.6 million (before costs) using the Company's placement capacity. The capital raise satisfied one of the conditions precedents to the Acquisition and further strengthened the Company's balance sheet.

As at the end of the quarter and subsequent to paying all costs associated with the capital raise and initial acquisition costs, the Company had approximately \$2.8 million in cash and no debt.

During the quarter, the French authorities notified Elixir that its Moselle Permit has been renewed for a second term, currently ending 20 January 2019. Given the extensive delays in receiving the renewal, the Company has immediately commenced the process of applying for an exceptional extension of up to three years of the second term of the Moselle Permit.

## NEW BUSINESS ACTIVITIES

**Project Name:** Option to Acquire GOH  
**Location:** Mongolia



*Location map of Nomgon IX PSC Area*

GOH was established in 2011 with the sole purpose of acquiring coal bed methane (“CBM”) rights (also known as Coal Seam Gas or CSG) in Mongolia in an area directly adjacent to the existing gas markets of Northern China. GOH has raised approximately \$1.25 million since its inception and undertook a detailed prospecting study of the PSC area prior to last year completing negotiations with the Mineral Resources and Petroleum Authority of Mongolia (“MRPAM”) on the commercial terms for a PSC. The MRPAM is a division of the country’s Mining Ministry, which in turn requires approval from the Cabinet of Mongolia (“Cabinet”) before any formal execution of a PSC can be made.

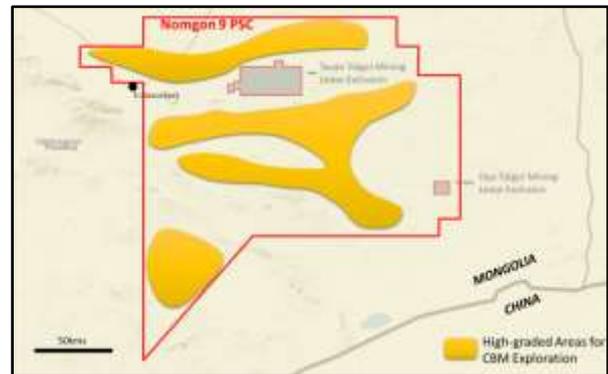
GOH regularly receives guidance on the status of the approval process and the expected timing of the award of the PSC from its in country advisors, however in accordance with Mongolian legal processes, neither GOH nor Elixir have received any direct communication from the Cabinet that the guidance provided is accurate. However, recent discussions suggest that the process is continuing to move forward in a positive manner and GOH understands that there have been recent communications at an intra-Ministry level that should address the last few remaining outstanding items on the current draft PSC.

The Nomgon IX CBM PSC will be the first unconventional PSC issued pursuant to the country’s updated Petroleum Law passed by Parliament in 2014. Nomgon IX, which covers an area of over 7 million acres, lies near to the Chinese border and is ideally placed for future gas sales both locally and into the extensive Northern China gas transmission and distribution network. In addition to Chinese gas demand, Mongolia currently has no gas production, there is a strong political desire to replace high emission coal power, and heat generation with low emission

clean-burning gas fired generation. With the potential to find and develop multiple Tcfs of gas from CBM in the PSC area it is possible that both the Mongolian and Chinese markets can be supplied with Mongolian CBM.

During the quarter, Elixir commenced detailed studies that have added to and complemented the work already done by GOH on Project Khiimori. These studies included a new review of all the available geological data and collation of this data into a central database.

From this database, a data pack was presented and reviewed at a technical workshop hosted by Elixir, to a group of Brisbane based geoscientists, engineers, operations personnel and project managers who have been involved in early stage CBM exploration and development activities in Australia and in various developing nations.



*New prospectivity map generated following discussions following the technical workshop*

The workshop was successful in identifying several new ideas and generating new thinking on the main CBM exploration plays within the PSC as indicated on the map above. These new ideas are now being incorporated into a detailed work programme with the aim of further de-risking Project Khiimori and potentially opening up a new area within the PSC previously not identified as prospective.

Initial fieldwork has also commenced this quarter, with on ground field mapping over some of the prospective areas of the PSC that is scheduled to be completed by the end of February 2018. The field mapping is focused on identification of surface outcrops of Permian sediments (in particular coals) and providing interpretation on the subsurface structuring, which will assist Elixir in high grading the initial exploration areas and de-risking the intended initial well locations.

Upon execution of the PSC, Elixir intends to exercise its option to acquire GOH and commence on ground exploration activities as soon as possible. These activities include acquiring 2D seismic and planning and drilling a

minimum of four exploration wells over the first two years of the PSC term. Exploration drilling will deliver key data required to confirm gas content and understand permeability, one of the last remaining key technical elements of the play that needs confirmation.

Upon completion of the Acquisition, Mr Neil Young will join the Board of Elixir as an Executive Director and Chief Executive Officer (“CEO”). Neil has a business development and commercial background and is the Managing Director of GOH. He has worked in the energy industry for over 20 years, including being Manager Business Development at Santos where he was a key leader in the Santos team that put together much of the Australian east coast CSG acreage that the company now operates.

Neil identified the potential of Mongolia as a regionally significant gas supplier and set up GOH with experienced industry partners to pursue CBM in Mongolia, raising funds privately from high net worth investors. After several years of technical studies aimed at high grading the coal basins in Mongolia, GOH began negotiations with the MRPAM over Nomgon Block IX and GOH believes the rigorous process undertaken to get to this point will result in a PSC being awarded within the indicated timeframe.

**Project Name:** Moselle Permit  
**Location:** North-eastern France  
**Ownership:** 100% Working Interest

On 23 December 2017, the French parliament passed new laws that prohibit the award of any new exploration licenses and will ban all future oil and gas activities from 2040 onwards. Following the passing of this legislation, the Moselle Permit (along several with other permits with renewals pending) was formally renewed.

Elixir has commenced an application for a three-year extension of the second exploration period, which if granted will extend the expiry of the second exploration period to 20 January 2022. In addition, Elixir has the right to apply for a third exploration period on expiry of the second exploration period, which will extend the term of the Moselle Permit for a further five years, subject to Elixir continuing to meet its license obligations

within the second exploration period and a relinquishment of a further 25% of the total license area.

If Elixir is granted a three-year extension of the second exploration period and is granted a third five-year exploration period, then Elixir could potentially retain the prospective area of the Moselle Permit until January 2027.

Elixir has recommenced desktop-based exploration activities and will reactivate its previous farm-out efforts for the Moselle Permit, which is considered prospective for both natural gas and oil. Elixir has previously mapped a number of conventional prospects and in 2013 was actively marketing these prospects for farm-out prior to this process being suspended following the extended delay in the renewal process

## **EXPLORATION ACTIVITIES**

**Project Name:** Petra Project  
**Location:** Colorado, USA  
**Ownership:** 25% Working Interest

There was no significant activity on the Petra Project during the quarter.

## **CORPORATE AND FINANCIAL**

### ***Quarterly expenditure, cash position and capital structure***

As at the end of the quarter, the Company had approximately \$2.8 million in cash and no debt.

During the quarter, the Company’s main expenditures were associated with the proposed Mongolian transaction.

General and administration were higher during the quarter with a number of one off expenses mainly associated with the proposed Mongolian transaction and recent capital raise.

### ***Board Changes***

During the quarter, Mr Samuel Willis resigned from the Board. There have been no other changes to management or the Board during the quarter.

**PETROLEUM TENEMENTS HELD AS AT 31 DECEMBER 2017**

	<b>% Interest</b>	<b>Tenement</b>	<b>Location</b>
<b>Held at end of quarter</b>	100%	Moselle Permit	North-eastern France
	25%	Petra Project	Colorado, USA
<b>Acquired during quarter</b>	-	-	-
<b>Disposed during quarter</b>	-	-	-

**INTERESTS IN FARM-IN OR FARM-OUT AGREEMENTS AS AT 31 DECEMBER 2017**

	<b>Farm-in / Farm-out</b>	<b>% Change in Interest</b>	<b>Project</b>
<b>Held at end of quarter</b>	-	-	-
<b>Acquired during quarter</b>	-	-	-
<b>Disposed during quarter</b>	-	-	-

For further information, please visit the Company's website at [www.elixirpetroleum.com](http://www.elixirpetroleum.com)