

6 June 2018

MONGOLIAN UPDATE

- **Elixir signs Memorandum of Understanding (“MOU”) for an option to acquire 100% of conventional oil and gas rights over Nomgon IX PSC area**
- **Oil discovery in adjacent PSC increases prospectivity for conventional hydrocarbons in the Nomgon IX PSC area**
- **Low cost opportunity with consideration on a success basis**
- **GOH receiving regular updates on approval process of the award of the Coal Bed Methane (“CBM”) PSC**
- **Meetings held with relevant Mongolian authorities identify administrative matters that have delayed the CBM PSC approval**

Elixir Petroleum Limited (ASX:EXR) advises that a recent 10 day visit to Ulaanbaatar by both Elixir and GOH management was successful in identifying what appear to be administrative matters which have delayed the Cabinet approval process for the award of the Nomgon IX CBM PSC. These outstanding matters appear to have resulted in the resolution to award the Nomgon IX CBM PSC being withdrawn at two recent Cabinet meetings.

Elixir and GOH have now provided the relevant authorities with a joint letter confirming these matters, which include more detail on the group’s financial and technical ability, the methodology to deal with overlapping mining licenses and finally, confirming the group’s agreement to certain minor changes to the commercial terms included in the draft PSC.

Whilst in Mongolia, Elixir and GOH undertook a four day field trip to the South Gobi desert area (where the Nomgon IX PSC is located) and following discussion with local geologists, Elixir’s technical advisers now consider the geology of the PSC area is not only prospective for CBM but also for conventional oil and gas. An oil discovery in an adjacent PSC has increased the confidence that within the Nomgon IX PSC area, conventional oil and gas prospects may also exist. The initial seismic survey currently being planned will now be modified to ensure complementary data for both CBM and conventional oil and gas exploration can be acquired.

Consequently, whilst in Mongolia, Elixir commenced discussions with the owner of the underlying conventional oil and gas Nomgon IX PSC (“Oil PSC”). Following completion of high level due diligence, on Monday 5 June 2018, Elixir signed an MOU with the shareholders of the private company which owns the Oil PSC for an option to acquire all of the shares of that company on or before 30 September 2018.

Consideration for the acquisition will consist of a royalty on future production and a one off deferred payment upon oil production milestones being achieved. Upon completion of the acquisition, Elixir will also assume the outstanding fee obligations owed to various Mongolian authorities, which total approximately US\$800,000.

The initial exploration phase of the Oil PSC expires in February 2022 (with possible extensions) and the total exploration commitments for the initial exploration phase total approximately

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US\$26.8M. Detailed due diligence has already commenced and further details on the proposed acquisition will be made on completion of formal documentation.

During the recent visit to Mongolia, Elixir and GOH attended the annual Mongolia Economic Forum in Ulaanbaatar where the Mongolian Government reiterated the importance of foreign investment in all sectors of the economy and in particular the mining sector. Elixir also visited the Tavan Tolgoi coal mine and the adjacent CBM Pilot Plant constructed by KOGAS, which lies within (but is excluded from) the CBM PSC area.



From Right: The Mongolian Prime Minister with Mr Dougal Ferguson (Elixir) and Mr Neil Young (GOH).



CBM Pilot Plant located close to the world class Tavan Tolgoi coal mine.

Elixir Managing Director, Mr. Dougal Ferguson commented:

“Our recent visit to Mongolia was productive with positive discussions resulting in the signing of an MOU to acquire the conventional oil and gas rights over the same area that Golden Horde has applied for a CBM PSC. Our field trip to the South Gobi desert confirmed that the vast area we are exploring has the potential for both CBM and conventional oil and gas. The administrative processes and delays on the CBM PSC are frustrating, but the option to acquire the conventional oil and gas rights in an already awarded Oil PSC is an exciting new opportunity.”

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For further information on Elixir Petroleum, please visit the Company's website at www.elixirpetroleum.com

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