

30 July 2018

**QUARTERLY ACTIVITIES REPORT FOR THE
PERIOD ENDED 30 JUNE 2018****HIGHLIGHTS**

- **Agreement to acquire Golden Horde Limited (GOH) for 79 million Elixir shares remains current subject to award of a Production Sharing Contract (PSC) in Mongolia**
- **Elixir and GOH management travelled to Mongolia in mid-May visiting the PSC area and attending various meetings to assess the progress of the approval process**
- **Administrative queries on Elixir's technical and financial capabilities addressed and minor amendments to the commercial terms of the PSC agreed**
- **Naadam festival holiday period in Mongolia has further stalled the government approval process**
- **Elixir and GOH recently commenced negotiations on a re-structure of the proposed acquisition of GOH by Elixir given longer than expected delays in the PSC approval**
- **Additional new venture opportunities outside Mongolia being progressed by Elixir**
- **Continued stringent management of expenditures with cash of approximately \$2.5 million and no debt as at 30 June 2018**

EXECUTIVE SUMMARY

During the quarter ended 30 June 2018, Elixir Petroleum Limited (**ASX:EXR**) (Elixir or the Company) continued to assist GOH in its attempts to progress the award of the Nomgon IX PSC in Mongolia.

The optioned acquisition of GOH, secured through to 30 September 2018, provides Elixir with an exclusive right to acquire GOH for 79 million shares if the 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.

Following extensive technical work and a field visit to the Nomgon IX PSC in mid-May by the Company's geological team, the project is considered to have strong technical merit and remains of significant interest to Elixir. However the extended time delays and the uncertainty that has arisen with respect to the ultimate timing of the award of the PSC has required Elixir and GOH to more recently commence discussions on a re-structure of the proposed acquisition of GOH.

These discussions are ongoing and progressing but no formal agreement on any re-structure has been reached with GOH or its shareholders at this time. The proposed re-structure will allow Elixir's shareholders to retain exposure to GOH and the Nomgon IX PSC but will also provide Elixir with the flexibility to pursue other projects whilst the Mongolian government approval process continues.

In light of these discussions, Elixir re-commenced its review of new venture opportunities and one opportunity in particular is currently being progressed but remains subject to further due diligence and final negotiation of terms.

Elixir's shares are currently suspended from trading on ASX and Elixir expects to remain in a voluntary suspension until the re-negotiation of the GOH acquisition is completed and announced.

On 5 April 2018, Elixir lodged an application for an exceptional extension of the term of the Moselle Permit. During the quarter, the Company provided further information to the French authorities and it now awaits formal notification of whether or not an extension will be granted.

As at the end of the quarter, the Company had approximately \$2.5 million in cash and no debt.

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 Ministry of Mining and Heavy Industry (“MMHI”), which in turn requires approval from the Cabinet before any formal execution of a PSC can be made.

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 continued to plan the proposed exploration programme designed to unlock the value of Project Khiimori, including planning of an initial 2D seismic survey, targeting areas where it is expected the major coal seams that are prospective for CBM are in existence. In mid-May, Elixir and GOH undertook a field trip over the areas being considered for the 2D seismic survey, concluding that the area is very

accessible and logistics to acquire seismic (and drill wells) in this area should be very achievable.

The approximate 200km of 2D seismic being planned (but subject to the award of the PSC) will be acquired with the key parameter being to identify coals at depths between 300 to 1,000 metres below the surface, which is the depth window generally considered necessary for successful and productive CBM projects.

EXPLORATION ACTIVITIES

Project Name: Moselle Permit
Location: Northeastern France
Ownership: 100% Working Interest

During the quarter, Elixir lodged its 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.

The application for the extension was lodged with the French authorities on 5 April 2018 with some follow up information provided subsequent to that date.

Should Elixir be 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.

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

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

A number of non-core leases have expired and as at the end of the quarter, the Company had reduced its acreage position from approximately 5,886 net acres to 4,686 net acres.

CORPORATE AND FINANCIAL

Quarterly expenditure, cash position and capital structure

As at the end of the quarter, the Company had approximately \$2.5 million in cash and no debt.

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

Administration and corporate costs were higher this quarter over the previous quarter, but for the year ended 30 June 2018, were in line with budget. The Company continues to maintain a high level of cost control at all times.

PETROLEUM TENEMENTS HELD AS AT 30 JUNE 2018

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

INTERESTS IN FARM-IN OR FARM-OUT AGREEMENTS AS AT 30 JUNE 2018

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

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