

12 September 2018

MONGOLIAN CABINET APPROVES AWARD OF CBM PSC TO GOLDEN HORDE

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ELIXIR SECURES ALASKAN ACQUISITION

Mongolia

- **Mongolian Cabinet approves the award of the Nomgon IX Production Sharing Contract (PSC) to Golden Horde (GOH)**
- **PSC expected to be signed within the next month**
- **Exclusive option to acquire GOH extended to 30 November 2018 to facilitate PSC signing and Elixir shareholder approval within the option period**
- **Interim funding to be provided to GOH via \$250,000 convertible loan facility**

Alaska

- **Binding Term Sheet to acquire 35,423 acres of highly prospective leases in Alaska signed**
- **Alaskan leases adjacent to discovered oil field and within 75kms of US\$2-3 billion development of Willow oil discovery (Conoco Phillips)**
- **Acquisition expected to close in October 2018**

Corporate

- **Firm commitments received for a \$1.65 million capital raise (before costs), principally to fund the new Alaskan acquisition (the Placement)**
- **Final shareholder approval for the issue of GOH consideration shares to be sought at AGM in early November 2018**
- **Current cash of approximately \$2.4 million (pre Placement)**

Elixir Petroleum Limited (ASX:EXR) is pleased to announce that it has received official notice from Golden Horde Limited ("**GOH**") that the Mongolian Cabinet has authorised the Mineral Resources and Petroleum Authority of Mongolia ("**MRPAM**") to sign the Nomgon IX CBM PSC with GOH LLC, a wholly owned subsidiary of GOH.

Elixir intends to exercise its option to acquire GOH after the PSC is signed and Elixir shareholder approval is received, which is expected to occur in early November 2018. Elixir and GOH have agreed to extend and amend the previously executed Binding Terms Sheet to allow the additional time required for completion of the acquisition to occur. In addition, Elixir has agreed to provide GOH with interim funding by way of a convertible loan facility up to a value of \$250,000. Further

details of the amendments to the Binding Terms Sheet and the Converting Loan Facility are provided in Appendix 1.

Elixir is also pleased to announce that it has signed a Binding Terms Sheet to acquire 35,423 acres of highly prospective leases in Alaska (the “**Leases**”) which are adjacent to the Umiat oil field (see figure 3). The consideration for the acquisition of the Alaskan leases consist of reimbursement of the sellers back costs which total US\$803,859, together with the assignment of a 5% overriding royalty interest (“**ORRI**”) on the leases being acquired.

Elixir has also entered into an Area of Mutual Interest (“**AMI**”) with the sellers whereby the sellers cannot compete with Elixir for new leases within the AMI. In consideration of entering into the AMI, if Elixir acquires any additional leases in the AMI, the sellers 5% ORRI on the Leases decreases (to a minimum of 1.5%) proportional to the total lease acreage position in the AMI. The recalculated proportional ORRI will then apply to all leases within the AMI. Should Elixir acquire more than 118,000 acres within the AMI, the calculation of the ORRI remains fixed at 1.5% across the Leases and any new leases acquired within the AMI.

Elixir will pay a non-refundable US\$150,000 exclusivity fee, which is deductible from the cash consideration on completion of the acquisition. Further details of the commercial terms of the Alaskan Lease acquisition are provided in Appendix 2.

PROPOSED MONGOLIAN CBM PSC ACQUISITION

In October 2017, Elixir executed a Binding Terms Sheet over an option to acquire GOH for a consideration of 79 million Elixir shares (the “**GOH Acquisition**”). GOH was established in 2011 with the sole purpose of securing 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 undertook a detailed prospecting study in the Nomgon IX PSC area prior to commencing negotiations with the MRPAM on the commercial terms for a PSC. The MRPAM is a division of the Mining Ministry, which in turn requires approval from the Cabinet of Mongolia (“**Cabinet**”) before any formal award of a PSC can be made.



Figure 1: Nomgon IX CBM PSC location map.

The Nomgon IX CBM PSC (see Figure 2) will be the first unconventional PSC issued pursuant to the country's updated Petroleum Law, which was passed by Parliament in 2014. Nomgon IX, which covers an area of over 7 million acres, lies adjacent to the Chinese border and is ideally placed for future gas sales into the extensive Northern China gas transmission and distribution network. In addition to Chinese gas demand, Mongolia currently has no gas production and there is a strong political desire to replace high pollution 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, both the Mongolian and Chinese markets could be supplied with Mongolian CBM.

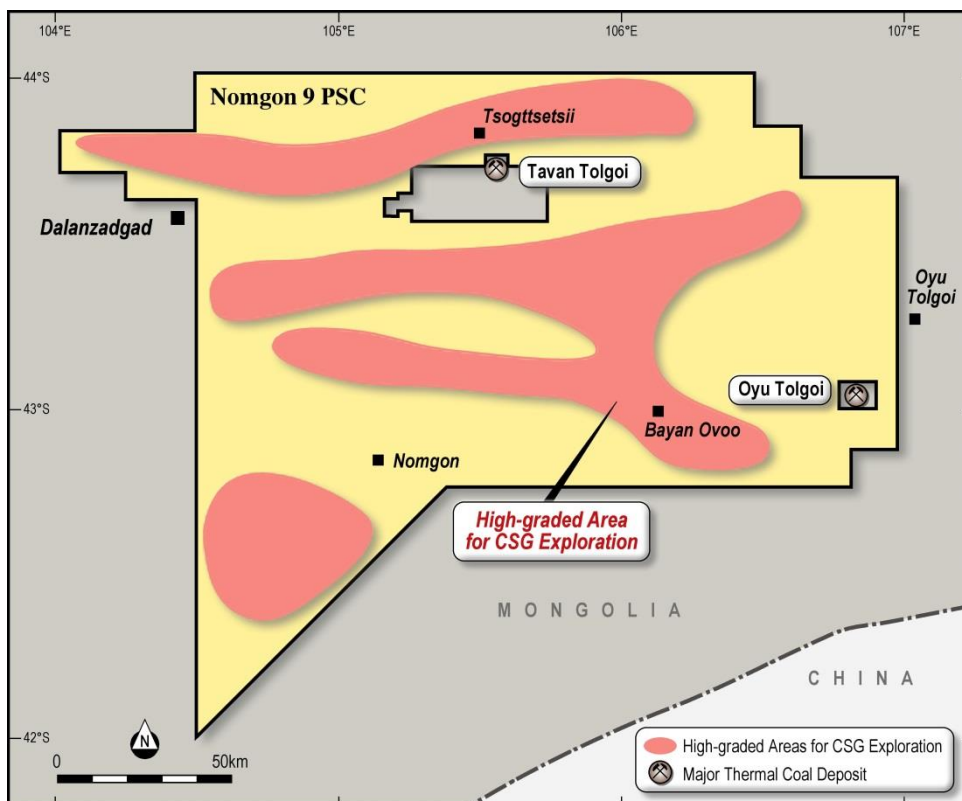


Figure 2: Elixir's internally generated prospectivity map for the PSC Area.

The PSC is located in what is considered to be one of the most prospective basins in Mongolia for CBM. The PSC surrounds one of the world's largest producing thermal coal deposits, Tavan Tolgoi, which has an estimated resource of over 6 billion tonnes¹ and produced over 14 million tonnes of coal in 2016². Data from wells within the Tavan Tolgoi mine indicate gas contents of up to 15m³/tonne (480 cf/ton) at depths of 467 metres below surface³ which is considered high by world CBM standards and is a good indication that surrounding areas are likely to contain similar gas content levels.

¹ Coal Bed Methane Potential of the Nomgon 9 Area, South Gobi Basin, Mongolia - Nordic Geological Solutions (2016)

² Correspondence with the Ministry of Mining and Heavy Industries (Mongolia).

³ Erdenes Methane LLC.

Upon award of the PSC and subject to Elixir shareholder approval, Elixir intends to exercise the option, secure required environmental clearances and commence on ground activities as soon as possible. The 2019 work programme is expected to include the drilling of exploratory CBM wells where key data will be obtained to confirm gas contents and understand permeability, one of the last remaining key technical elements of the play that needs confirmation. Drilling costs for the wells are expected to be in the range of US\$500,000 to US\$750,000 each.

PROPOSED ALASKAN LEASE ACQUISITION

Over recent months during which there was continued uncertainty with respect to the timing of the proposed Mongolian acquisition, Elixir commenced discussions with the owners of ~35,000 acres of highly prospective acreage in Alaska, adjacent to the Umiat oil field and within 75kms of the large Willow and other nearby discoveries being developed by ConocoPhillips (see Figure 3).

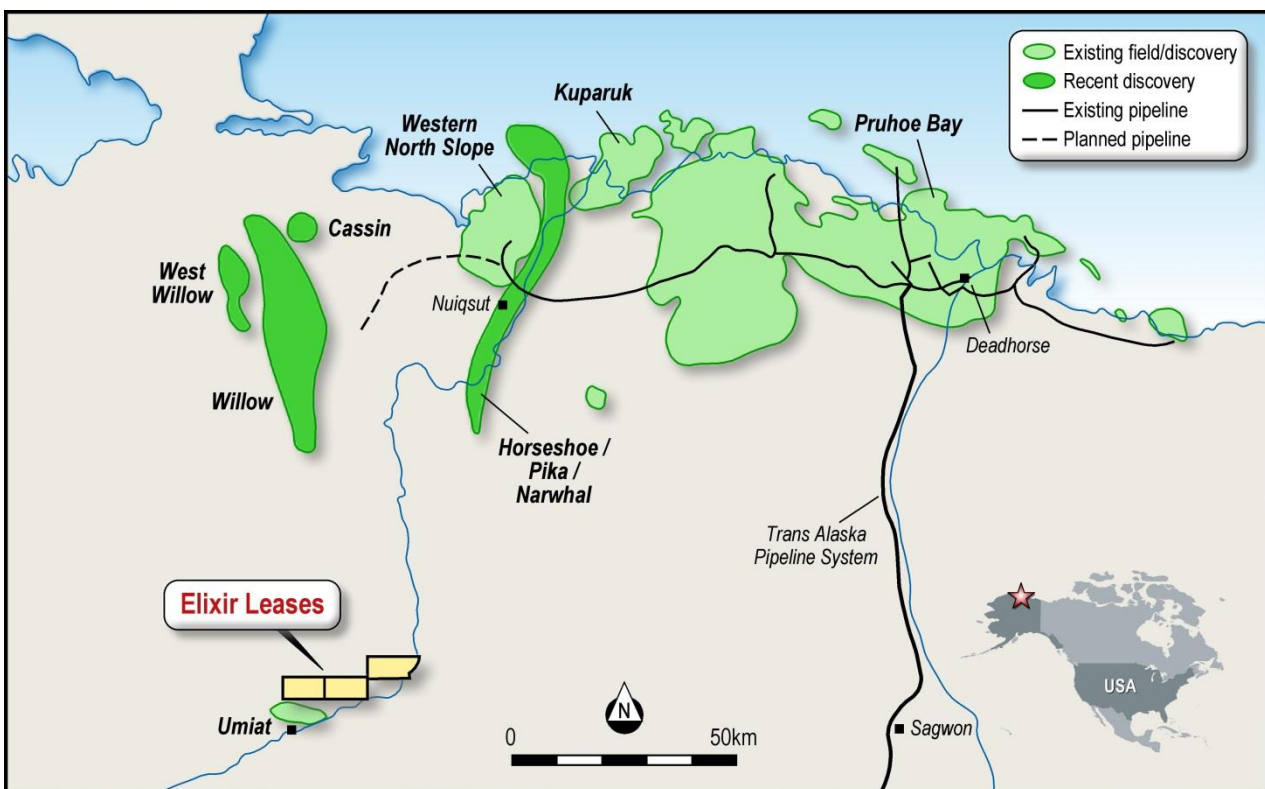


Figure 3: Elixir’s Alaskan Lease Acquisition location map.

Following completion of initial due diligence and negotiations on terms, Elixir and the owners agreed and executed a Binding Terms Sheet to acquire the Alaskan Leases. Detailed terms of the acquisition and information on the Alaskan Lease acquisition are provided in Schedule 2.

Elixir will pay a US\$150,000 non-refundable exclusivity fee and intends to complete the Alaskan Lease acquisition in October 2018. As part of the due diligence process, Elixir has commenced

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detailed technical evaluation of the leases based on historic seismic data and upon completion of the acquisition, intends to mature up a number of leads and prospects within the leases.

PLACEMENT TO RAISE UP TO \$1.65M

To assist in the funding of the Alaskan Lease acquisition, the Company has received firm commitments for a placement utilising its available placement capacity under Listing Rule 7.1 to raise \$1.65 million before costs through the issue of 33 million shares. The Company has agreed to pay a cash fee of 6% fee on the amount of funds raised in addition to a management fee of \$25,000 payable to Xcel Capital Limited who will act as Lead Manager to the raise.

As a result of its recent suspension from trading on ASX, the Company is required to lodge a Cleansing Prospectus which it expects to do shortly. The Placement is expected to close within the next week. A pro-forma capital structure including the proposed Placement and GOH Acquisition is tabled below.

	Ordinary Shares	Performance Shares	Unlisted Options
Current Securities	221,446,872	5,000,000	11,000,000
Placement Securities	33,000,000	-	-
GOH Acquisition	79,000,000	17,500,000	-
Pro-forma totals	333,446,872	22,500,000	11,000,000

Following completion of the Placement and payment of the capital raising fees, but prior to the completion of the Alaskan Lease acquisition or the GOH Acquisition, the Company will have approximately \$4 million in cash and 254 million shares on issue.

ASX CODE: EXR

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Elixir Managing Director, Mr Dougal Ferguson commented:

"It is commendable to all those involved that the Mongolian approval process has now reached the stage where we have Cabinet approval and final agreement on the terms of the PSC. There has been a lot of hard work put in by Elixir and GOH management to achieve this outcome.

We look forward to the PSC signing in Ulaanbaatar in the coming weeks and proceeding with the acquisition of GOH. Our confidence in the process from this point forward is backed up by our agreement to provide GOH with an interim funding arrangement to allow it to proceed with the initial work required to progress the PSC.

At the same time, we are equally pleased to secure an exclusive arrangement to acquire the Alaskan leases in what has become one of the latest global hot spots for oil exploration. We expect to close the Alaskan Lease acquisition within the next month and look forward to commencing an exploration programme in the area soon after, noting that the northern winter period is the exploration season in Alaska."

For further enquiries, please contact:

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

APPENDIX 1

Key Terms and Conditions of the amended GOH Acquisition

The key terms of the original Terms Sheet signed for the GOH Acquisition are listed below, some of which have already been met and others which either remain subject to Shareholder approval (to be sought at the 2018 Annual General Meeting of the Company), or have yet to be met by GOH or EXR. The revisions to the original Terms Sheet are noted in ***italics*** to the Terms below. The terms of the Converting Loan Facility are provided at the end of this Appendix 1.

Key conditions and terms that have been satisfied are as follows:

- Upon execution of the binding Terms Sheet, GOH was paid a \$25,000 option fee for the exclusive option which expires on 30 September 2018 (***amended to 30 November 2018 for an additional \$25,000 fee***) to acquire all of GOH shares on a 1:1 basis for a total consideration of 79 million Elixir shares;
- The major shareholders of GOH, representing approximately 75% of the issued capital of GOH, have signed 24 month voluntary escrow agreements for the Elixir shares they will receive upon completion; and
- Pursuant to the GOH Shareholder Agreement, GOH shareholders had the right to procure a superior offer for GOH in the 20 business days after the offer was made by Elixir. The offer by Elixir to GOH formally occurred on 17 October 2017 and no superior offer was forthcoming within the 20 business days required and therefore, on 15 November 2017, the GOH Shareholder Agreement provisions that allow the majority shareholders (all of whom have signed the binding Terms Sheet with Elixir) to drag-along the minority shareholders was invoked; and
- Elixir completing a capital raise of not less than \$1.5 million at a price of not less than \$0.04 per share (completed in October 2017).

Key conditions and terms that are subject to Shareholder approval are as follows:

- Approval for the issue of 17.5 million Performance Share to Mr Neil Young; and
- Approval of the issue of the GOH consideration shares, being 79 million shares in Elixir to be issued on completion of the Acquisition.

Note that shareholders approved the above issue of Performance Shares to Mr Neil Young and the GOH consideration shares at meetings held on 30 November 2017 and 19 April 2018, however further shareholder approval is required as the 3 month time limit (as required by ASX) to issue the Performance Share and GOH consideration shares has expired.

Key conditions and terms that have either not yet been met by GOH or Elixir, or remain conditions precedents to the GOH Acquisition are as follows;

- GOH being awarded the PSC;
- Elixir remaining listed and trading on ASX;

- Immediately prior to completion, Elixir having at least \$2.5 million in cash (**amended to \$2.0 million**) and not more than 250 million (**amended to 300 million**) shares on issue;
- No material adverse conditions arising, including but not limited to material changes to the terms of the PSC, Elixir determining after further due diligence there to be defect in title for the PSC, significant political upheaval or social unrest in Mongolia;
- Upon closing of the Acquisition, Mr Neil Young being appointed to the Board as an Executive Director and CEO of Elixir on a salary of \$250,000 per annum including statutory superannuation, subject to a 3 month termination clause by either party;
- A break fee of US\$50,000, payable to GOH if Elixir (at its sole discretion) elects to terminate the Terms Sheet within the exclusive option period;

The majority shareholders, representing greater than 65% of the shares in GOH, are parties to the binding Terms Sheet and have committed to the sale of their GOH shares to Elixir, subject to the above conditions precedents being met. The drag along rights within the GOH Shareholder Agreement came into effect when more than 65% of GOH shareholders agree to accept an offer for their shares.

Key conditions and terms of the Converting Loan Facility provided by Elixir to GOH are as follows;

- a facility of up to \$250,000 will be made available by Elixir to GOH;
- immediately upon drawdown of \$150,000 under the facility agreement, Elixir will issue an invoice for costs and expenses incurred by Elixir on the NomGon IX PSC area in the amount of approximately \$100,000 which will be set off and deemed to have been immediately drawn down against the facility bringing the total drawdown to \$250,000;
- draw-downs under the facility are at the request of GOH, following which Elixir makes a determination on whether to fund the requested draw-down (in its sole discretion);
- unless previously converted the facility will mature and becomes repayable in cash by GOH to Elixir on 31 December 2018 or such later date determined by Elixir;
- if Elixir decides not to exercise its existing option with GOH, the facility automatically converts into shares on a GOH IPO or reverse takeover transaction on ASX at a 20% discount to the price per shares to be issued under any capital raising to be conducted as part of the IPO or reverse takeover transaction;
- if Elixir decides to exercise its existing option with GOH, the facility becomes an intercompany loan from the date of settlement of the acquisition of GOH payable on demand by Elixir;
- the facility immediately becomes due and payable upon the insolvency, receivership or breach by GOH of the facility agreement;
- GOH provides covenants in favour of Elixir regarding entering into agreements for any further debt or equity funding during the term of facility; and
- the facility is interest free and unsecured.

APPENDIX 2

Key Terms and Conditions of the Alaska Lease Acquisition

The key terms of the Alaskan Lease Acquisition (“**ALA**”) are listed below.

- Purchase of 100% Working Interest in 35,423 acres in the National Petroleum Reserve of Alaska (“**NPRA**”) for US\$803,859 (“**Cash Consideration**”) in addition to the assignment of a 5% ORRI over the acquired leases, which varies in accordance with the terms below;
- Prior to completion of the ALA, Elixir must lodge a US\$300,000 lease bond with the United States Bureau of Land Management (“**BLM**”) which is refundable upon cessation or relinquishment of the leases in good standing;
- Elixir and the sellers have entered into an AMI over approximately 430,000 acres, whereby the sellers may not complete with Elixir. In consideration of entering into the AMI, if Elixir acquires any additional leases in the AMI, the sellers 5% ORRI on the Leases decreases (to a minimum of 1.5%) proportional to the total lease acreage position in the AMI. The recalculated proportional ORRI will then apply to all leases within the AMI. Should Elixir acquire more than 118,000 acres within the AMI, the calculation of the ORRI remains fixed at 1.5% across the Leases and any new leases acquired within the AMI; and
- For the option to remain exclusive, Elixir must pay within five (5) business days a non-refundable deposit of US\$150,000, which becomes deductible from the Cash Consideration above;

Key conditions and terms that remain conditions precedents to the Alaskan Lease Acquisition are as follows;

- Elixir completing financial, technical and legal due diligence on the leases being acquired by 30 September 2018;
- all approvals or consents required pursuant to the assignment of the Leases and other mineral rights agreements being obtained; and
- Elixir completing the acquisition by 30 October 2018.

The key terms on the Alaskan Leases being acquired are as follows;

- Lessor is the BLM; and
- BLM royalty is 12.5%; and
- Leases originally awarded in 2014 for a period of 10 years expiring 1 March 2024. Annual rentals are US\$3/acre, which must be paid on or before the lease anniversary date in order to retain the lease.