

# Elixir Energy Limited (EXR)



## Mongolia's First Gas Discovery

**Overview:** Elixir Energy Limited (“Elixir”, “the Company”) is an Australian based gas exploration company focused on coal bed methane (CBM), otherwise known as coal seam gas (CSG), in Mongolia. The Company’s primary asset is the 100% owned Nomgon IX CBM Production Sharing Contract (PSC) in the South Gobi Desert on the Mongolia-China border. The PSC was entered into with the Mongolian government in September 2018 and has a total size of approximately 30,000km<sup>2</sup>. In February 2020, Elixir announced a CBM discovery at its Nomgon-1 well — the first ever gas discovery in Mongolia. The Company then completed an oversubscribed capital raising totaling A\$3.35 million by way of Placement and Share Purchase Plan (SPP) to fund an expanded delineation/exploration program.

EXPLORATION

RESOURCE

RESERVE

**Catalysts:** A follow up testing and delineation campaign will begin in early July after the Company’s successful initial drilling program that delivered Mongolia’s first CBM discovery at the Nomgon-1 well and a successfully completed oversubscribed capital raising. Multiple end market options are available including the rapidly growing Chinese gas market. The PSC is ideally placed for future gas sales into the extensive Northern China gas transmission and distribution network. Chinese gas demand is expected to more than triple over the next 15 years, yet the country does not have enough gas within its own borders.

**Hurdles:** The Company is in the early stages of exploration and is not producing commercial quantities of CBM. While well-funded for the upcoming exploration program, considerable capital investment, exploration activities and project development are required to bring the project to commercial production. The impact of COVID-19 on economies globally remains unclear, as is its impact on gas demand and therefore prices. In particular, Chinese gas demand forecasts are subject to change and could result in lower than anticipated demand long term. Further, while Elixir and its development of Mongolia’s gas industry have strong support of the Mongolian government, there is no guarantee this will remain in the future.

**Investment View:** An early stage exploration company, Elixir offers speculative exposure to rising gas demand, particularly from China. China (and Mongolia) is seeking to move away from its reliance on coal fire power and have demonstrated support of the development of the Power of Siberia II Russia-China gas pipeline (that will run through Mongolia) and the Asian Super Grid. Elixir’s 100% owned Nomgon IX PSC lies over a major Permian coal bearing region and has an independently certified CBM risked 'best case' prospective resource of 7.6 Tcf and an un-risked 'best case' prospective resource of 40 Tcf. The Company’s 100% ownership of the PSC provides maximum optionality to pursue value adding farmout(s). Its initial 2019 exploration program resulted in the country’s first gas discovery at the Nomgon-1 well. Strong support for the subsequent capital raising highlighted confidence around the upcoming follow-up exploration activities, while the additional monies allow for Elixir to bring forward its exploration/delineation plans by around a year.

5 June 2020

## INITIATING COVERAGE

Price: \$0.036

### DISCLOSURES

REPORT COMMISSIONED BY	EXR
COMPANY OWNS THIS SECURITY	Yes

### CORPORATE SUMMARY

TICKERS	EXR.ASX
INDUSTRY	Oil & Gas
SHARES ON ISSUE	665.9m
OTHER SECURITIES	110m Options 32.5m Performance Shares
MARKET CAP	\$21.3m
CASH ON HAND	~\$4m (est)
ISSUED CAPITAL	\$79.2m

### ASSET OVERVIEW

NAME	Nomgon IX CBM PSC
LOCATION	South Gobi Desert
STATUS	Exploration
RESOURCE	-
RESERVE	-

### BOARD OF DIRECTORS

NON-EXEC CHAIRMAN	Richard Cottee
MANAGING DIRECTOR	Neil Young
NON EXEC DIRECTOR	Stephen Kelemen
NON EXEC DIRECTOR	Bayanjargal Byambasaikhan

### SHAREHOLDERS (PRE-RAISE)

BEAMOND HOLDINGS	3.7%
NEIL YOUNG	3.5%
CBMP LLC	3.3%
TOP 20	31.4%

### SHARE PRICE



5 June 2020

## COMPANY OVERVIEW

Elixir Energy Limited is an ASX-listed gas exploration company focused on coal bed methane (CBM) exploration in Mongolia. The Company's primary asset is the 100% owned Nomgon IX Coal Bed Methane (CBM) Production Sharing Contract (PSC) in the South Gobi Desert on the Mongolia-China border.

The Company has a highly experienced coal seam gas team. Non-Executive Chairman Richard Cottee is the former Managing Director of Queensland Gas Corporation (QGC), taking it from market cap of \$20M to \$5.7B. Managing Director Neil Young is an ex-Santos executive who has worked in Mongolia in securing the Nomgon IX PSC since 2011. Non-Executive Director (NED) Stephen Kelemen is also ex-Santos, having run its coal seam gas (CSG) business. NED Bayanjargal Byambasaikhan is the Chairman of Business Council of Mongolia and former CEO of Mongolia's sovereign investment company, Erdenes Mongol. Elixir is a founding member of the Gobi Clean Energy Alliance.



Image: Elixir's Nomgon IX CBM PSC project is located in the South Gobi region of Mongolia. Source: Elixir Energy

## ASSET OVERVIEW – NOMGON IX COAL BED METHANE PSC (100%)

Elixir's Nomgon IX Coal Bed Methane (CBM) Production Sharing Contract (PSC) project is located in the South Gobi region of Mongolia. This is the only CBM PSC issued by the Mongolian government and it is 100% owned by the Company. The PSC gives Elixir long term and robust tenure over the massive licence area. It was signed in September 2018 with a 10 to 15-year exploration term and gives EXR 100% ownership with no back-in rights assigned to the Mongolian government.



### Independent resource report validates potential of Nomgon IX

An independent prospective resource report completed by ERC Equipoise Pte Ltd validated the world class potential of the Nomgon IX CBM PSC — a CBM risked 'best case' prospective resource of 7.6Tcf and an un-risked 'best case' prospective resource of 40 Tcf. The PSC lies over a major Permian coal bearing region. This Permian coal region is of the same age as that of Santos' prime Queensland CSG acreage.

The Nomgon IX PSC is located along the Chinese border and just 410 kilometres from China's West East Pipeline. Within the bounds of the PSC is the Rio Tinto operated Oyu Tolgoi mine, which is required by the Mongolian government to source a local Mongolian energy supply, but is currently importing electricity from China.

### Nomgon IX CBM PSC – Probabilistic Calculations

Unit	Low (1U)	Best (2U)	High (3U)
Unrisked Recoverable Prospective Resources	TCF	40.1	117.2
Geological Chance of Discovery	19%		
Risked Recoverable Prospective Resources	TCF	7.6	22.2

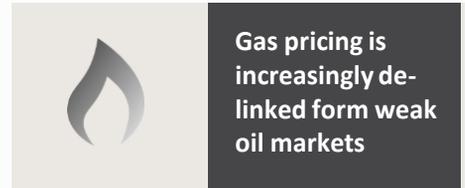
Table: Probabilistic calculations for the 100% owned Nomgon IX CBM PSC project in Mongolia

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## MARKET OVERVIEW

Mongolia is soon to see work programs re-start in the South Gobi, as the country was an early mover in isolating from China and the rest of the world amid the COVID-19 outbreak. It had a low number of cases and no internal outbreaks. The Company is therefore in a rare position to actively explore in the time of the COVID-19. Some views suggest oil demand could be peaking at present, however gas pricing is increasingly de-linking from weak oil markets.

Gas and renewables are symbiotic energy sources, this multiplies Elixir's potential channels to market. Renewables are intermittent, but gas can 'firm' up supply. Gas can be delivered to existing markets by pipeline or electricity networks. Gazprom is accelerating its plans for Power of Siberia-2 which will run through Mongolia. Such transit nations typically secure rights to access pipelines for indigenous gas. The Southern Gobi region of Mongolia has abundant clean energy resources, including wind and solar energy, that will feed into the Asian Super Grid which will bring new transmission lines through the Gobi Desert.



## OUTLOOK

The recent successfully completed Placement and Share Purchase Plan (SPP) were each oversubscribed with demand coming in at close to \$5 million. The Company scaled this back to a combined total raised of \$3.35 million in order to reduce the dilutionary impact of the SPP, while also ensuring existing shareholders were able to participate. The additional monies will bring forward the company's exploration/delineation plans by around a year – notwithstanding the unique and difficult global circumstances.



Oversubscribed Placement & SPP provide funding of \$3.35 million

The Company's expanded delineation/exploration campaign will include:

- Locking in the targeted 2D seismic program and potentially increasing its coverage.
- Drilling further exploration stratigraphic chip-holes (strat-holes) in both the Nomgon sub-basin and in new sub-basins outside this area.
- Possibly following up a successful strat-hole with one or more fully tested core-hole.

Data from these are intended to feed into a maiden contingent resource report later in 2020.

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## THE BULLS AND THE BEARS



### THE BULLS SAY

- The company has recorded Mongolia's first gas discovery in its maiden exploration program and undertaking follow up delineation/exploration activities at the PSC.
- Leveraged to rising gas demand. China does not produce enough gas for its own need and its gas demand is expected to more than triple over the coming 15 years. The Nomgon IX PSC is located in close proximity to China's West East Pipeline, while the Power of Siberia II Russia-China gas pipeline that will run through Mongolia.
- Experienced management and Board with strong local management and experienced local subcontractors in place.
- The Company is well-funded for follow up delineation and exploration programs via recent oversubscribed Placement and SPP.



### THE BEARS SAY

- China's gas demand forecasts are subject to change and could result in lower than anticipated demand long term.
- Gas prices are subject to market fluctuations.
- The Company is in early stages of exploration and is not producing commercial quantities of CBM.
- Considerable capital investment, exploration and project development are required
- Political and sovereign risk: Mongolian government could withdraw its support of the CBM industry.

## ARCHIVES

## Elixir Energy Limited (EXR)

JUN - 20	INITIATING COVERAGE
-	-
-	-

## GLOSSARY

<b>Buy</b>	Increasing value of established business operations is likely to yield share price appreciation
<b>Speculative Buy</b>	Increasing value of a new or developing business operation is likely to yield share price appreciation.
<b>Hold</b>	There exists an even balance of risks.
<b>Sell</b>	There is elevated risk of share price depreciation.
<b>Stop</b>	Our recommended, pre determined sell price, to be executed if the share price fails to appreciate
<b>Exploration</b>	An early stage of oil and gas development where assets are either absent of resource estimates 'or contain 'undiscovered', prospective resource estimates according to Society of Petroleum Engineers International (SPE)
<b>Resource</b>	An intermediate stage of oil and gas development characterised by Contingent Resource estimates according to SPE standards. These Resources (2C) are discovered but yet to be deemed commercial.
<b>Reserve</b>	An advanced stage of oil and gas development. Refers to companies that have defined Proved and Probable (2P) Reserves according to SPE standards.


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