



Elixir Energy

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CBM PILOT PROJECT PASSES KEY MILESTONE

HIGHLIGHTS

- Pilot production reaches key milestone flow rate of 100,000 cubic feet per day of gas
- Stable and low water rates of 180 barrels per day
- Mongolian petroleum regulator has approved budget and work program for 2023

Elixir Energy Limited (“Elixir” or the “Company”) is pleased to provide an update on the extended pilot production project underway in its 100% owned Nomgon IX Coal Bed Methane (CBM) Production Sharing Contract (PSC) in the South Gobi Basin, Mongolia.

Nomgon CBM Pilot Production Program

The two well Nomgon CBM pilot production program was commissioned on the 16th of November 2022 and dewatering of the coals under a controlled production schedule then commenced. The program has now been successfully operational for 83 days. Early breakthrough of gas production from the Nomgon-9 well in the first day of pumping confirmed previous adsorption isotherm test results which showed the coals to be near 100% gas saturation.

Last week the combined production from the Nomgon-8 and 9 wells reached 100,000 standard cubic feet per day (scfpd) of gas and 180 barrels per day (BWPD) of water and continues to improve steadily.

This water production level (producing water is generally a standard feature of CBM operations) is very low compared to most Australian producing areas. Additionally, the water salinity appears to have stabilized at less than 5,000 ppm Total Dissolved Solids (TDS), which is at a level which may be suitable for livestock to drink. This provides a strong opportunity to work collaboratively with local communities over future water production.

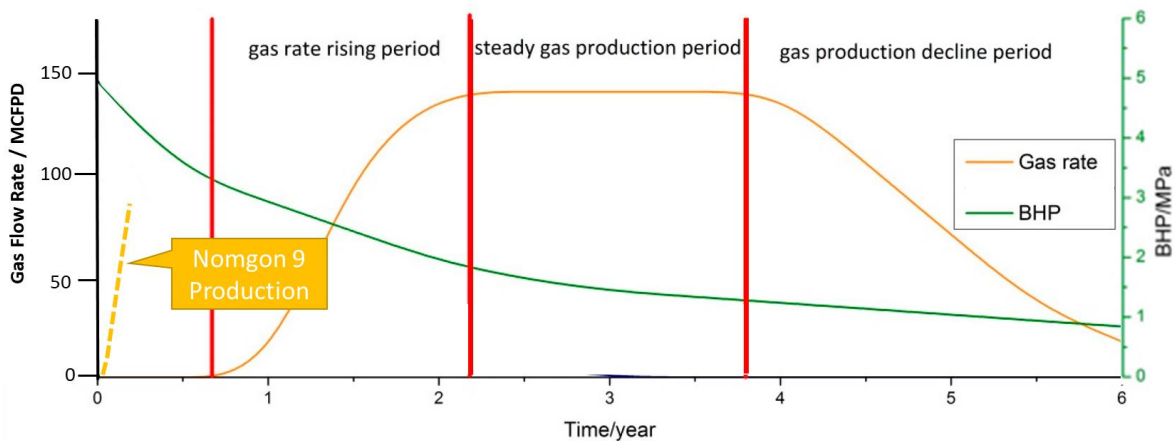
Nomgon-9 produces like a typical vertical CBM well, and gas rates have increased steadily over the period, producing at a rate of ~80,000 scfpd last week. The water production has remained relatively steady at ~160 BWPD. Currently the well is shut-in to perform a routine pressure build-up study with production testing to then recommence.

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¹: A Study on Optimization of CBM Water Drainage by Well Test Deconvolution in the Early Development Stage. 2018, by Geo, Liu, Guo, Han, Lin, Fang, Ma and Tsai, in Water 2018, 10,929,doi:10.3390/w10070929

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For comparison, below is a plot of an average CBM production well (adapted from *Gao et al, 2018¹*), modelled on the Ordos Basin, which is immediately South of Mongolia's Gobi Basin in China. The graph of gas production indicates a period of time before gas production breaks through. This was not seen at Nomgon-9, where production began almost immediately.



Production Profile of Chinese CBM well¹ with Nomgon 9 plotted for comparison

Due to several technical issues (quite normal for a project of this nature), including an initial downhole equipment mechanical fault (now rectified), Nomgon-8 has not produced as steadily as Nomgon-9. More recently the Company completed a workover of this well to flush and clean the production interval, and the well has now returned to production at a gas rate of 20,000 scfpd and a water rate of 20 BWPd. We are now seeing encouraging signs of improvement at Nomgon-8, with the well steadily increasing rates of both water and gas as the well cleans up.

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Frozen Produced Water at Nomgon Pilot Plant

With now over 80 days of production data, Elixir is starting to interpret a clear trend on the longer producing Nomgon-9 well. The decreasing reservoir pressure due to coal dewatering and consequent increasing gas rate are enabling the Company to begin estimating an early stage “type-curve”, which will be a key input into assessments of commerciality. These will be completed in the coming months.

Given the modest costs of CBM development drilling in Nomgon IX, combined with other factors such as strong regional gas prices, the gas production rates evidenced to date are clearly promising for the Company.

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2023 Exploration and Appraisal Drilling Program

Elixir's 2023 exploration and appraisal annual budget has recently been approved by the petroleum regulator in Mongolia. The program for 2023 will consist of the drilling of a minimum of 9 wells, 4 of which will be appraisal in nature and 5 will be exploration wells. The final location of the wells will be determined in the coming months with the drilling program to begin in Q2 of 2023, following required annual re-tendering, environmental approval and other administrative processes. Elixir retains the ability to amend the budget during the year in response to the pilot and other results.

Elixir's Managing Director, Mr Neil Young, said: *"Although our ground-breaking Nomgon pilot production test has some months still to go, results to date have been very encouraging. The high gas saturation levels in the coals means minimal water production and very early gas breakthrough – both of which support long term economics. The gas flows to date are better than regional peers in producing gas fields and in Mongolia we face a long term lower drilling cost environment than in the likes of Australia – which also supports the economics. We look forward to progressing our CBM program in Mongolia this year – now in parallel with our other major projects - Grandis and Gobi H2."*

By authority of the Board:

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