



Elixir Energy

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NOMGON CBM OPERATIONS UPDATE

HIGHLIGHTS

- Nomgon Pilot Project returns to managed flare
- Nomgon-10 pilot well to spud at end of month
- Big Slope-7 intersects thick coals with good desorption and DST completed

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

Operations at the Nomgon Pilot Project continue, with the pilot plant now returning to managed gas production. During the last month, both wells have been produced intermittently whilst the production team varied casing pressures, pump rates and water levels. Water production throughout this has remained relatively static at rates of 110-120 barrels of water per day. Whilst the gas rate is still lower than the original flowrates at the beginning of the test, a clear increasing trend is now emerging.

The previously announced additional pilot well, called Nomgon-10, will spud towards the end of this month, using international drilling contractor Major Drilling. The existing pilot wells will be shut in during the drilling operation. At the completion of this new pilot drilling, the lesser performing Nomgon-8 will be temporarily suspended, with the Nomgon-10 production well to replace it in the production system.

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Recent flare at the Nomgon Pilot

The Big Slope-7 appraisal corehole has now been completed. The well was drilled to a depth of 666 metres, with drilling curtailed slightly ahead of the originally planned total depth due to difficult hole conditions. A total of 35 metres of coal and 7m of silty coal was intersected, with 1 Drill Stem Test (DST) conducted. The interpretation of the results of the DST will be announced in due course.

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The well was drilled by Mongolian drilling contractor Erdene Drilling LLC and is the first of a number of wells it is contracted to Elixir for drilling in the region. The rig has now moved to a nearby location to the West of the previous well to drill a corehole: Big Slope Shallow-1, where it will appraise the shallower coals at deeper locations.



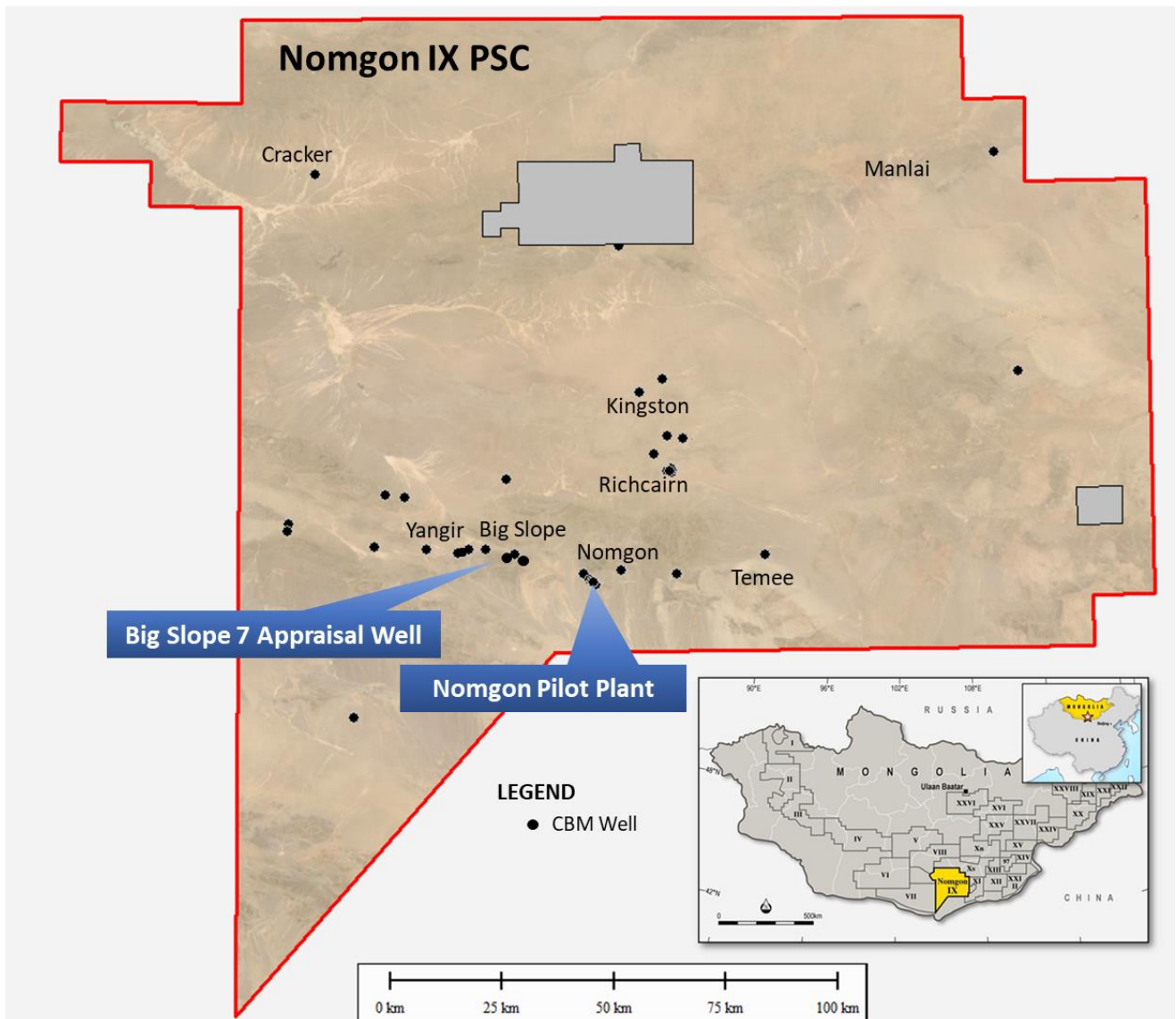
Erdene drilling rig at Big Slope 7

Erdene Drilling has also brought a second rig into the basin and will replace Top Diamond Drilling as the Company's primary exploration drilling contractor. Top Diamond Drilling completed the drilling of the Bluebill-1S exploration well recently, with the well intersecting gaseous coal in cuttings.

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Location map of Elixir's current drilling activities in Mongolia

Elixir's Managing Director, Mr Neil Young, said: "The Nomgon Pilot Project has experienced some almost inevitable variations in gas flow rates – it is the first in the country – and it pleasing to see how our team has been learning on multiple fronts from the data and experience garnered to date. We look forward to the next pilot well adding to the results in the short term."

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