

12 June 2020

SMALL SCALE LNG PROJECT

HIGHLIGHTS

- Elixir's first offtake project
- Small scale LNG – very common in neighbouring China
- Focused on supplying large local coal truck fleet
- Partnering with one of Mongolia's largest fuel retailers

Elixir Energy Limited ("Elixir" or the "Company") is pleased to announce that it has recently executed a non-binding Memorandum of Understanding (MOU) with Mongolia's MT Group under which the parties will seek to develop a small scale LNG (SSLNG) plant to supply fuel to the South Gobi's large coal trucking fleet.

SSLNG plants are now commonplace just to the South of Mongolia in China – where for instance there are over six million gas fired vehicles on the road. The South Gobi hosts a large trucking fleet that currently burns diesel and which could economically be replaced by cleaner and cheaper gas fueled vehicles. The Tavan Tolgoi mine (located inside Elixir's PSC) trucks around 15 million tonnes of coal to China per annum, utilizing thousands of trucks (see image below).

Given Elixir's milestone event of making Mongolia's first gas discovery earlier this year, the Company concluded it is now timely to pursue the investigation of this first offtake option. Initial modelling indicates that a SSLNG in this location should be highly profitable. Possible funding sources for this type of project in Mongolia could include the various international financing institutions (IFIs) present in the country and with whom Elixir has an ongoing relationship.

Elixir has partnered with one of Mongolia's largest fuel retailing firms, MT Group (website: <https://mtgroup.mn>) to seek to develop the country's first SSLNG plant – supplied from local coal bed methane. A MOU that sets out the initial framework for this partnership was recently signed with MT Group.

MT Group was established in 1994 and its core operations comprise fuel retailing facilities across the country – including on the Tavan Tolgoi to China road. It currently sources liquid products for these from the likes of Russia's Rosneft and Gazpromneft. The company has also expanded its operations into other areas such as telecommunications and resource exploration.

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Coal trucks shipping coal from Tavan Tolgoi to China (Source – Reuters)



A MT Group Service Station

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Elixir Energy Ltd is a gas exploration company focused on the 100% owned Nomgon IX coal-bed methane (CBM) production sharing contract (PSC) located in the South of Mongolia, proximate to the Chinese border. The 30,000 km² PSC was executed in September 2018 and has a 10+ year exploration period.

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Elixir's Managing Director, Mr Neil Young, said: *"Supplying gas to a SSLNG plant in the South Gobi region is a great initial offtake project for our company to investigate. There is a clear existing market in terms of the very large local coal trucking fleet which could operate on clean gas rather than diesel. We are very pleased to be working with a company of MT Group's calibre in pursuing this project."*

By authority of the Board:

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