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Elixir Energy

**Interim Report
for the half-year ended 31 December 2021**

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Corporate Directory

Directors

Mr Richard Cottee
Mr Neil Young
Mr Stephen Kelemen
Ms Anna Sloboda

Non-Executive Chairman
Managing Director
Non-Executive Director
Non-Executive Director

Company Secretary

Ms Victoria Allinson

Registered Office

3B, Level 3
60 Hindmarsh Square
Adelaide SA 5000
South Australia

Auditors - Australia

BDO Audit (WA) Pty Ltd
L9, Mia Yellagonga Tower 2, 5 Spring St
Perth WA 6000
Western Australia

Bankers

National Australia Bank Limited
Level 9
22 King William Street
Adelaide 5000
South Australia

Share Registry

Automic Registry Services
Level 5,
126 Phillip Street
Sydney 2000
New South Wales

Stock Exchange Listing

Australian Securities Exchange code: EXR

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Directors' Report

DIRECTORS

The names of the Directors of Elixir Energy Limited in office during the financial period and at the date of this report are:

Director	Position	Date appointed	Last elected or re-elected at AGM
Richard Cottee	Non-Executive Chairman	29 April 2019	18 September 2020
Neil Young	Managing Director	14 December 2018	-
Stephen Kelemen	Non-Executive Director	6 May 2019	28 October 2021
Anna Sloboda	Non-Executive Director	1 October 2020	28 October 2021

Other than as stated above, each Director held office from 1 July 2021 until the date of this report.

PRINCIPAL ACTIVITIES

Elixir Energy Limited and its subsidiaries ("Group") is an oil and gas Group primarily focussed on coal bed methane ("CBM") exploration and development in Mongolia. The Group is now also investigating hydrogen production opportunities in Mongolia. Further details are provided in the Review of Operations.

DIVIDENDS

No dividends have been declared, provided for or paid in respect of the financial period ended 31 December 2021 (2020: Nil).

REVIEW OF OPERATIONS

Operating Results

For the financial period ended 31 December 2021, the Group recorded a net loss from continuing operations after tax of \$831,768 (December 2020: \$990,638). The loss is lower than the prior period, this is primarily due to higher foreign exchange gains of \$308,720, offset by higher share-based payments \$18,992 and administration expenses \$92,901.

At 31 December 2021, the Group held cash totalling \$28,355,355 (June 2021: \$32,779,592).

Operations Review

During the period, the Group's primary focus was in Mongolia, on natural gas exploration and appraisal in its 100% owned Nomgon IX CBM Production Sharing Contract (PSC). The Group is now also developing its new *Gobi H2* project.

Projects

Mongolian project: Nomgon

The Group has a 100% interest in the Nomgon IX CBM PSC, located proximate to the Chinese border in Mongolia's South Gobi region. The PSC was entered into with the Mongolian Government in September 2018 and has a minimum ten-year exploration period and a thirty-year (extendable) production period. The work program undertaken in the PSC in the period is summarised in the exploration section below.

During the period the Group undertook exploration and appraisal work on the PSC, with a focus on the following activities:

- Drilling a number of exploration and appraisal wells. In 2021 a total of 17 wells were drilled, of which 65% intersected coals in the CBM window.
- Completing the acquisition of a second phase 2D seismic program for the year. In total 528 kilometres of 2D was acquired in 2021. This is being progressively processed and interpreted.

All work was undertaken safely, without environmental incident and in accordance with COVID-19 related protocols.

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Mongolian Hydrogen Project - Gobi H2

During the period, the Group announced various initiatives to support the development of a green hydrogen production project – called Gobi H2 – in the South of Mongolia.

Other projects

The Company's only other asset is a bond and related liability associated with an old joint venture in Texas. There have been no changes to other projects held by the Group during the period.

Changes in Capital Structure

During the period 720,000 Elixir Energy Ltd shares were issued to acquire the Solar Ilch LLC subsidiary, no other transaction took place that would impact the capital structure of the Group.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Other than those events noted above, there were no other significant changes in the state of affairs of the Group during the period that requires separate disclosure.

EVENTS SINCE THE END OF THE FINANCIAL PERIOD

There are no material events occurring after the end of the reporting period to disclose.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's independence declaration is included on page 9 of the financial report.

Signed in accordance with a resolution of the Directors made pursuant to s.298 (2) of the *Corporations Act 2001*.



Neil Young
Managing Director
Adelaide, South Australia
10 March 2022

DECLARATION OF INDEPENDENCE BY DEAN JUST TO THE DIRECTORS OF ELIXIR ENERGY LIMITED

As lead auditor for the review of Elixir Energy Limited for the half-year ended 31 December 2021, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Elixir Energy Limited and the entities it controlled during the period.



Dean Just
Director

BDO Audit (WA) Pty Ltd
Perth, 10 March 2022

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Elixir Energy Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Elixir Energy Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2021 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the directors for the financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BDO Audit (WA) Pty Ltd

BDO


Dean Just

Director

Perth, 10 March 2022

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Directors' Declaration

The Directors declare that:

- (a) The consolidated financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
- i. Giving a true and fair view of the financial position as at 31 December 2021 and the performance for the half-year ended on that date of the consolidated entity;
 - ii. Complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that Elixir Energy Limited will be able to pay its debts as and when they become due and payable.
- (c) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in Note 6 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 6.

This declaration is signed in accordance with a resolution of the Directors made pursuant to section 303(5) of the Corporations Act 2001.

On behalf of the Directors



Neil Young
Managing Director
Adelaide, South Australia
10 March 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2021

	Note	Consolidated	
		31 Dec 2021 \$	31 Dec 2020 \$
Revenue from continuing operations			
Interest Income		17,233	1,688
Other		-	47,548
Expenses			
Foreign exchange gain/(loss)		141,816	(166,904)
Share based payments expense	2	(121,855)	(102,863)
New ventures and business development	2	(10,672)	(9,639)
Directors' fees		(382,216)	(377,295)
Administration expenses	2	(476,074)	(383,173)
Total expenses		(849,001)	(1,039,874)
Loss before income tax		(831,768)	(990,638)
Income tax expense		-	-
Loss attributable to owners of the Company		(831,768)	(990,638)
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Foreign currency translation differences		(497,099)	98,363
Other comprehensive income/(loss) for the half-year, net of tax		(497,099)	98,363
Total comprehensive loss attributable to the owners of Elixir Energy Limited		(1,328,867)	(892,275)
Loss per share for the half-year			
Basic and diluted (loss) per share (cents)		(0.09)	(0.14)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 31 December 2021

	Note	Consolidated	
		31 Dec 2021 \$	30 Jun 2021 \$
Assets			
Current assets			
Cash and cash equivalents		28,355,355	32,779,592
Other receivables		358,950	131,476
Total current assets		28,714,305	32,911,068
Non-current assets			
Other receivables		800,257	772,131
Property, plant and equipment		149,149	57,011
Deferred exploration and evaluation expenditure	3	14,665,085	11,439,379
Total non-current assets		15,614,491	12,268,521
Total assets		44,328,796	45,179,589
Liabilities			
Current liabilities			
Trade and other payables		259,890	215,841
Employee benefits		83,419	79,997
Lease Liability		95,081	-
Total current liabilities		438,390	295,838
Non-current liabilities			
Site rehabilitation provision		800,257	772,131
Total non-current liabilities		800,257	772,131
Total Liabilities		1,238,647	1,067,969
Net Assets		43,090,149	44,111,620
Equity			
Issued capital	4	119,682,326	119,496,785
Reserves		547,957	923,201
Accumulated Losses		(77,140,134)	(76,308,366)
Total Equity		43,090,149	44,111,620

The above consolidated financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2021

	Share Capital		Reserves			Total
	Ordinary Share Capital	Accumulated Losses	Share Based Payment Reserve	Listed Options	Foreign Currency Translation Reserve	
	\$	\$	\$	\$	\$	\$
Balance at 1 Jul 2021	119,496,785	(76,308,366)	672,518	-	250,683	44,111,620
Comprehensive income (Loss) for the half-year	-	(831,768)	-	-	-	(831,768)
Exchange differences on translation of foreign operations	-	-	-	-	(497,099)	(497,099)
Total comprehensive income/(loss) for the period	-	(831,768)	-	-	(497,099)	(1,328,867)
Transactions with owners, in their capacity as owners, and other transfers						
Share based expenses	-	-	121,855	-	-	121,855
Exercise listed options	-	-	-	-	-	-
Shares issued	187,200	-	-	-	-	187,200
Share issue costs	(1,659)	-	-	-	-	(1,659)
Total transactions with owners and other transfers	185,541	-	121,855	-	-	307,396
Balance at 31 Dec 2021	119,682,326	(77,140,134)	794,373	-	(246,416)	43,090,149
Balance at 1 Jul 2020	84,752,340	(75,690,441)	554,260	889,111	(295,046)	10,210,224
Comprehensive income (Loss) for the half-year	-	(990,638)	-	-	-	(990,638)
Exchange differences on translation of foreign operations	-	-	-	-	98,363	98,363
Total comprehensive income/(loss) for the period	-	(990,638)	-	-	98,363	(892,275)
Transactions with owners, in their capacity as owners, and other transfers						
Share based expenses	-	-	102,863	-	-	102,863
Exercise listed options	485,132	-	-	(485,132)	-	-
Shares issued	7,697,047	-	-	-	-	7,697,047
Share issue costs	(4,036)	-	-	-	-	(4,036)
Total transactions with owners and other transfers	8,178,143	-	102,863	(485,132)	-	7,795,874
Balance at 31 Dec 2020	92,930,483	(76,681,079)	657,123	403,979	(196,683)	17,113,823

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the half-year ended 31 December 2021

	Consolidated	
	31 Dec 2021 \$	31 Dec 2020 \$
Cash flows from operating activities		
Payments to suppliers and employees	(1,021,945)	(669,320)
Net cash (used in) operating activities	<u>(1,021,945)</u>	<u>(669,320)</u>
Cash flows from investing activities		
Payments for exploration and evaluation	(3,579,714)	(1,494,262)
Purchase of exploration bonds	-	-
Interest received	17,157	1,688
Interest paid	-	-
Purchase of property, plant and equipment	(63,502)	-
Net cash (used in) investing activities	<u>(3,626,059)</u>	<u>(1,492,574)</u>
Cash flows from financing activities		
Proceeds from issues of shares	-	8,065,219
Payments for share issue costs	-	(4,036)
Repayment of borrowing	-	-
Net cash provided by financing activities	<u>-</u>	<u>8,061,183</u>
Net increase/(decrease) in cash held	<u>(4,648,004)</u>	<u>5,899,289</u>
Cash and cash equivalents at beginning of financial period	32,779,592	3,298,847
Effect of exchange rates on cash holdings in foreign currencies	223,767	8,371
Cash and cash equivalents at end of financial period	<u>28,355,355</u>	<u>9,206,507</u>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

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Notes to the Consolidated Financial Statements

1. Basis of Preparation

a) Statement of compliance

These financial statements are general purpose financial statements for the half-year reporting period ended 31 December 2021, which have been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This half-year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by Elixir Energy Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and the corresponding half-year reporting.

New or amended accounting standards and interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Significant accounting estimates and judgments for share based payments values

The Group estimates the probability of award of performance rights issued to key management personnel and other consultants and advisors by reference to the likelihood that the performance measures will be met by the holders of those performance rights as at the date at which they are granted. The probability is considered binary (100% or 0%) for each class of performance rights and only where there is a high risk of failure to achieve the performance measures will 0% be used (e.g. stretch targets).

Impact of standards issued but not yet applied by the entity

There were no new standards issued since 1 July 2021 that have been applied by the Group. The 30 June 2021 annual report disclosed that the Group anticipated no material impacts (amounts recognized and/or disclosed) arising from initial application of those standards issued but not yet applied at that date, and this remains the assessment as at 31 December 2021.

b) Going Concern

The financial statements have been prepared on the basis that the entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business. For the period ended 31 December 2021 the entity recorded a loss of \$831,768 cash and cash equivalents of \$28,355,355 and had net cash outflows from operating activities of \$1,021,945.

Management believes there are sufficient funds to meet the entity's working capital requirements as at the date of this report.

COVID-19 is not expected to have a significant impact on the entity. Management has determined that there is no material uncertainty that casts doubt on the entity's ability to continue as a going concern. It expects that COVID-19 might have some impact, though not significant.

This interim financial report was approved by the Board of Directors on 10 March 2022.

	Consolidated Group		
	Note	31 Dec	31 Dec
		2021	2020
		\$	\$

2. Expenses

Loss before income tax includes the following specific items:

Share Based Payments Expense

Options	29,107	102,863
Performance Rights	92,107	-
Total Share Based Payments Expense	121,855	102,863

New ventures and business development

New ventures – Mongolia	10,672	9,639
Total new ventures and business development	10,672	9,639

Administration and office costs

Corporate compliance	214,756	172,094
Corporate management costs	31,000	30,000
Rent of office space	25,379	4,978
Travel costs	24,670	6,371
General administration	180,269	169,730
Total administration and office costs	476,074	383,173

	Consolidated Group		
	Note	31 Dec	30 Jun
		2021	2021
		\$	\$

3. Deferred exploration & evaluation expenditure

Mongolian Project

Opening balance	11,439,379	7,024,215
Amount Capitalised during the period	3,091,149	4,197,231
Foreign Exchange Movements	134,557	217,933
Closing balance	14,665,085	11,439,379

Significant accounting estimates and judgments for impairment amounts

The future recoverability of exploration and evaluation assets is dependent on a number of factors, including whether the Group decides to exploit the related PSC itself or, if not, whether it can successfully recover the related exploration and evaluation asset through sale.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, which could impact the cost of production, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices. To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made.

	Consolidated Group	
	31 Dec	30 Jun
	2021	2021
	\$	\$
4. Issued Capital		
891,733,376 fully paid ordinary shares (June 2021: 891,013,376 fully paid ordinary shares)	119,682,326	119,496,785

	Number of shares		Consolidated Group	
	31 Dec	30 Jun	31 Dec	30 June
	2021	2021	2021	2021
Balance at 1 July	891,013,376	687,973,877	119,496,785	84,752,340
Issue of shares to acquire new subsidiary, Solar Ilch LLC at 26 cents per share	720,000	-	187,200	-
Share Placement & Share Purchase Plan (April 2021 at 36c per share)	-	73,861,460	-	26,589,935
Exercise of listed options	-	118,174,193	-	8,024,028
Share Placement & Share Purchase Plan May 2020 at 2c per share	-	2,500,000	-	50,000
Issue of shares for services	-	1,153,846	-	150,000
Exercise of options	-	6,000,000	-	600,000
Share issue costs – shares issued	-	1,350,000	-	27,000
Share issue costs	-	-	(1,659)	(696,518)
Closing Balance	891,733,376	891,013,376	119,682,326	119,496,785

	Note	Consolidated Group	
		31 Dec	30 Jun
		2021	2021
		No.	No.
5. Options and Performance Rights			
As at period end the following Options and Rights over unissued ordinary shares are on issue.			
Unlisted Options:			
Opening Unlisted Options		5,330,000	12,630,000
Incentive Options granted ⁽¹⁾		1,000,000	-
Options cancelled		-	(1,300,000)
Options exercised		-	(6,000,000)
Closing Unlisted Options		6,330,000	5,330,000
Total Options		6,330,000	5,330,000
Weighted average exercise Price		\$0.16	\$0.10

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	Consolidated Group	
	31 Dec 2021 No.	30 Jun 2021 No.
Performance Rights:		
Opening Rights	16,000,000	16,000,000
Rights granted ⁽¹⁾	10,200,000	-
Rights expired	-	-
Rights exercised	-	-
Closing Rights	26,200,000	16,000,000

(1) Approved by Shareholders on 28 October 2021

Share options

At 31 December 2021 there are 6,330,000 (30 June 2021: 5,330,000) Unlisted Options over unissued ordinary shares are on issue. During the half-year no Unlisted Options were exercised (30 June 2021: 6,000,000 at \$0.032 per Option).

Issue date	Number	Exercise price	Expiry	Exercised
30 September 2019	4,750,000	\$0.10	29 September 2023	Vested
5 June 2020	580,000	\$0.10	4 June 2024	Vested
28 October 2021	1,000,000	\$0.50	27 October 2025	Not yet vested
Total	6,330,000			

All unlisted options vest after a one-year service period has been completed.

1,000,000 Incentive options were issued to Anna Sloboda on 28 October 2021. The grant date was determined to be 28 October 2021 and the total fair value was assessed as \$166,000 (\$0.17 per option) utilizing the Black-Scholes model with the following key inputs:

- Share Price at grant date: \$0.26
- Exercise price: \$0.50
- Expiry: 27 October 2025
- Risk Free rate: 1.11%

Performance Rights

At 31 December 2021 the following (June 2021: 16,000,000) Performance Rights are on issue:

Issue date	Number	Exercise price	Expiry	Vesting
Class C				
14 December 2018	7,500,000	\$nil	13 December 2023	(a)
30 September 2019	7,500,000	\$nil	29 September 2024	(a)
5 June 2020	1,000,000	\$nil	4 June 2025	(a)
New Performance Rights				
28 October 2021	3,400,000	\$nil	1 July 2023	(b)
28 October 2021	3,400,000	\$nil	1 July 2024	(b)
28 October 2021	3,400,000	\$nil	1 July 2025	(b)
Total	26,200,000			

Performance Rights Milestones and terms:

- a. Class C – Final investment decision approved by the Board and the Mongolian Government or a pilot production test within the PSC within 5 years of date of issue.
- b. New Performance Rights milestones:
 - 3,400,000 performance rights to vest upon the commencement of a 1st stage pilot production program by 30 June 2023.
 - 3,400,000 performance rights to vest upon the commencement of a 2nd stage pilot production program by 30 June 2024.

- 3,400,000 performance rights to vest upon the commencement of a 3rd stage pilot production program by 30 June 2025.

c. No voting or dividend rights

During the period \$92,748 was recognised as share-based payment expense in relation to the 10,200,000 Class C Performance Rights issued to below parties:

- Neil Young: 6,000,000
- Victoria Allinson: 600,000
- Non KMP: 3,600,000

The probability of achieving the milestone set in 2023 is considered likely at 31 December 2021 and milestones set for 2024 and 2025 are considered unlikely at 31 December 2021 and therefore only the portion of the grant date fair value related to achieving 2023 milestone is recognised.

6. Controlled Entities

Subsidiaries of Elixir Energy Limited:	Country of Incorporation	Percentage Owned	
		31 Dec 2021	30 June 2021
Golden Horde Pty Ltd ⁽¹⁾	Australia	100%	100%
GOH LLC ⁽¹⁾	Mongolia	100%	100%
GOH Clean Energy LLC ^{(1) (2)}	Mongolia	100%	100%
Solar Ilch LLC ⁽²⁾	Mongolia	100%	-
Elixir Petroleum (Australia) Pty Ltd	Australia	100%	100%
Cottesloe Oil & Gas LLC ⁽³⁾	USA	100%	100%
Cottesloe Oil & Gas Inc ⁽³⁾	USA	100%	100%

(1) Golden Horde Pty Ltd is the intermediate parent of both GOH LLC and GOH Clean Energy LLC.

(2) GOH Clean Energy LLC is the intermediate parent of Solar Ilch LLC, a subsidiary that was acquired in November 2021 for \$187,200 paid by the issue of 720,000 Elixir Energy Ltd shares.

(3) Cottesloe Oil & Gas LLC is the intermediate parent of Cottesloe Oil & Gas Inc

Elixir Energy Limited and Elixir Petroleum (Australia) Pty Ltd are parties to a deed of cross guarantee under which each company guarantees the debtors of the other. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and Directors' report under class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

7. Contingent Liabilities

United States

Cottesloe Oil and Gas LLC ("Cottesloe"), a wholly owned subsidiary of the Group, was previously a non-operating party in a Texas based joint venture called Pompano. The Pompano assets are now held by the Texas Petroleum Regulator's "Orphan Well" Unit.

Cottesloe's only significant asset is a cash bond of US\$580,566 (A\$800,257) in favour of the previous owner (PetroQuest Energy Inc) of the Pompano platform and associated infrastructure which can be called upon in the event PetroQuest was to face a liability in connection with Cottesloe defaulting on its share of the abandonment costs of this infrastructure. A site restoration provision is carried by the Group equivalent to the bond amount, as future costs borne by the Group, if any, are not expected to exceed that amount.

There is no parent company guarantee in place between the Company and Cottesloe Oil and Gas LLC and therefore there is no formal recourse to the Company or any other subsidiary of the Group should a claim be made on Cottesloe for an amount in excess of its assets.

8. Operating Segments

General Information

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the board of Directors (chief operating decision makers) in assessing performance and in determining the allocation of resources.

Management has determined, based on the reports reviewed by the Board of Directors that are used to make strategic decision, that the Group had three reportable segments during 2021 (2020: two) being oil and gas exploration in Mongolia and the United States of America (USA) and clean energy Mongolia. The Group's management and administration office is located in Australia.

Segment Performance

	Oil & Gas Exploration Energy		Clean Energy Mongolia	Other Corporate Activities	Total
	Mongolia	USA			
	\$	\$	\$	\$	\$
Half-year ended 31 Dec 2021					
Revenue from external sources	-	-	-	17,233	17,233
Reportable segment (loss)	-	(5,146)	(31,921)	(805,623)	(831,768)
As at 31 Dec 2021					
Reportable segment assets	15,852,541	800,257	433,064	27,242,934	44,328,796
Reportable segment liabilities	(210,107)	(800,257)	(5,260)	(223,023)	(1,238,647)
Half-year ended 31 Dec 2020					
Revenue from external sources	-	-	-	-	-
Loss on dissolution of subsidiary	-	-	-	49,236	49,236
Reportable segment (loss)	(19,487)	(11,227)	-	(959,924)	(990,638)
As at 30 Jun 2021					
Reportable segment assets	11,768,669	772,462	260,920	32,377,538	45,179,589
Reportable segment liabilities	(124,413)	(772,131)	-	(171,425)	(1,067,969)

No reconciliation is required of segment information as the information as presented is used by the Board to make strategic decisions.

9. Related Party Transactions

Key Management Personnel Compensation:

The totals of remuneration paid to KMP of the company and the Group during the half-year are as follows:

	Consolidated Group	
	31 Dec 2021 \$	31 Dec 2020 \$
Short-term employee benefits	367,979	361,842
Post-employment benefits	14,237	15,453
	382,216	377,295
Share-based payments	89,120	84,588
Total KMP compensation	471,336	461,883

Recognition of Share Based Payments: Options and Performance Rights

The fair value of options and performance rights is determined at the grant date and then recognised in profit or loss over the vesting period (with the exception of listed options issued to settle certain advisor fees related to capital raising, which is accounted for as a reduction in share capital). The vesting period for listed options is immediate, for unlisted options is typically four years, and for performance rights it is the period to expiry.

The fair value of unlisted options is determined using an option pricing model such as the Black-Scholes model, with the key inputs being the current share price of the Company, option exercise price, term to expiry, and assumed future share price volatility. If any of the vesting conditions are 'market-based' (such as the achievement of a particular share price), these conditions are factored in to the grant date fair value assessment. The fair value of performance rights is determined based on the Company's share price at the grant date.

With respect to Performance Rights, the probability of achieving the relevant performance condition is re-assessed at each reporting date and this probability factor is applied to the grant date fair value in determining the amount to be recognised for the current reporting period. If and when the relevant performance condition is met and the rights convert to a corresponding number of shares, any remaining portion of the grant date fair value that has not previously been recognised is recognised.

Significant accounting estimates and judgments for share based payments

The determination of the fair value of at grant date of equity-settled Options and Performance Rights requires the use of estimates and judgement. In particular, the values and amounts recognised as share based payments expense are particularly sensitive to the share price volatility assumption in valuing Options and the probability assessment of achieving performance conditions with respect to Performance Rights.

The share-based payment issued to KMP are as follows:

- 1,000,000 Unlisted Options (exercise price \$0.50, expire 27 October 2025) issued to Anna Sloboda valued at \$166,000 using Black Scholes, of which \$29,107 has been charged to the period ended 31 December 2021;
- 6,000,000 New Performance Rights issued to Neil Young valued at \$520,000, of which \$54,557 has been charged to the period ended 31 December 2021; and
- 600,000 New Performance Rights issued to Victoria Allinson valued at \$52,000, of which \$5,456 has been charged to the period ended 31 December 2021.

10. Events Occurring After Reporting date

There are no material events occurring after the end of the reporting period to disclose.

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