2023 HALF-YEAR REPORT

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DIRECTORS REPORT

The Directors of AXP Energy Limited ('*AXP*' or '*Company*'), present their report, together with the financial statements of the Group, being the Company and its controlled entities, for the half-year ended 31 December 2022.

All amounts in this report are in US dollars, unless stated otherwise.

Directors

Directors in office during the half-year and to the date of this report are:

Mr Simon Johnson, Non-executive Chairman appointed 6 April 2021.

Mr Samuel Jarvis, Non-executive Director appointed 28 February 2018. Member of the Audit Committee. Chairman of Remuneration and Nominations Committee.

Mr Stuart Middleton, Non-executive Director appointed 15 April 2015. Chairman of the Audit Committee. Member of Remuneration and Nominations Committee.

Mr Christian Paech, Non-executive Director appointed 1 January 2022. Member of the Audit Committee. Member of Remuneration and Nominations Committee.

Company Secretary

Mr Robert Lees, appointed 30 June 2015.

Review of Operations

A Board of Director's review of the operations of the economic entity during the half-year and the results of those operations are as follows.

Exploration, Development and Production

Production stabilization work continues as the team identifies wells that require remedial maintenance activities to continue to flow consistently. This work includes low-cost swabbing efforts as well as downhole equipment repairs. Many of the wells in the field have not been included in a consistent swabbing program for several years prior to AXP's acquisition of them.

The KayJay field continues to be a focus of development as the operations team has worked over 3 additional wells in this field. These well reworks included well cleanouts, new perforations and hydraulic fracturing to interrogate the Maxon and Big Lime formations. KayJay has 2 different potential sales points which provides flexibility to sell into multiple markets and is not hindered by the historical challenges associated with the wells allocated to the primary midstream provider. This field will continue to be a preferred area of development as AXP has direct control over the gas delivery to market.

Operations continue to move forward in the Denver Julesburg Basin with the advancement of the partnership with Elite Mining, Inc. The crypto mining site was functional but intermittent due reliability issues with the power generators installed at the site. These problematic generators were removed from the site last week and new generators are being installed in the coming weeks. The site is expected to be back up and in operation in March.

Financial Review

AXP reported a loss of $4,524,227 during the half-year ended 31 December 2022 (half-year ended 31 December 2021: loss of $718,272). The Group's financial performance during the half-year was negatively impacted by:

- a requirement to blend it's produced Natural Gas Liquids (NGLs) with a less volatile liquid prior to transport. Accordingly, the Company shipped in purchased NGL fractions to blend with its produced NGL at the processing plant. The Company was then able to transport its produced NGL to sales markets as a fraction of a blended product. The Company has now contracted with an alternate US NGL offtaker which has eliminated the need to purchase blending materials in the winter and reduced the blend volume required as well as the cost of the blend material going forward.
- recording a $3,675,034 impairment for its Cimarex Lease located in Colorado.

a) Revenue

- Production for the 6 months was down by 6% to 393.7 MBOE from 420.6 MBOE (31 December 2021); however, sales volumes increased by 16% to 307.8 MBOE from 265.2 MBOE as a result of the inclusion of blended sales volumes.
- Sales revenue increased by 57% to $13,029,146 from $8,277,179 (31 December 2021). The increase was driven by the increased sales volumes (as discussed above) and a 41% increase in pricing.
- The average realised price for the half-year was $42.3/BOE (31 December 2021: $31.2/BOE);
- Total Revenue from the Appalachian Basin asset for the half year was $11,530,059 of which $5,650,617 was gas and $4,358,205 was NGLs.

b) Financial Position

The Group's net assets decreased 27% from $16,678,295 at 30 June 2022 to $12,153,080 at 31 December 2022. The principal contributing factor to the decrease in the Group's net asset balance is the recognition of a provision for impairment in exploration and evaluation assets.

Cash and cash equivalents at 31 December 2022 were $1,947,172.

Significant Changes in the State of Affairs

Other than noted in this director's report, there have been no significant changes in the Group's state of affairs during the financial period.

Environmental Regulations

The Group is subject to significant environmental regulations under federal, state and local laws in the areas within which it operates in the USA. During the reporting period, the Group Board was advised by management that an audit performed by a statutory environmental regulatory body in Colorado has found that certain historical emissions reporting requirements have not been fully complied with during calendar years 2020-2021. The Colorado operations team worked with the regulatory body to rectify the deficiency in the records keeping through the COVID period. The solutions put in place were found to be sufficient to bring the records up to date and a nominal fine was imposed.

Proceedings on Behalf of Group

No person has applied for leave of Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings. The Group was not a party to any such proceedings during the half-year.

Events Arising Since the end of the Reporting Period

The following matters or circumstances have arisen since the end of the period:

- As a result of a rapid deterioration in US gas prices, the Company has embarked on a company-wide cost reduction program and an extensive evaluation of our well portfolio to optimize production in the reduced-price environment.
- The Company entered into an agreement with its Working Capital facility lender where the facility is available to be drawn upon or repaid at or before 11 November 2024 (previously: 11 November 2023). The facility will also attract interest at the greater of 9% (previously: 6%) per annum or US prime rate + 2.75% interest per annum. The Company will also defer its monthly payments for a period of 6 months commencing 1 March 2023.
- The Company has entered into revised payment plans with some of its suppliers to defer additional payments over an agreed period commencing 1 March 2023. Around $300,000 of trade and other payables have been renegotiated deferring settlement until post 31 December 2023. The outstanding amounts and payment plans will be reviewed every 90-180 days with the suppliers.

Rounding of amounts

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, the amounts in the directors' report and in the financial report have been rounded to the nearest dollar, or in certain cases, to the nearest thousand dollar (where indicated).

Auditor's Independence Declaration

A copy of the auditor's independence declaration, as required under section 307C of the Corporations Act 2001, has been included overleaf.

Signed in accordance with a resolution of the Board of Directors,

Simon Johnson
Non-executive Chairman

Dated this 10th day of March 2023

AUDITOR'S INDEPENDENCE DECLARATION

(overleaf)

AUDITOR'S INDEPENDENCE DECLARATION

TO THE DIRECTORS OF AXP ENERGY LIMITED AND ITS CONTROLLED ENTITIES

In relation to the independent auditor's review for the half-year ended 31 December 2022, to the best of my knowledge and belief there have been:

(i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and

(ii) No contraventions of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards).*

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

PITCHER PARTNERS BA&A PTY LTD

PITCHER PARTNERS BA&A PTY LTD

MICHAEL LIPRINO
Director
Perth WA, 10 March 2023

CONSOLIDATED PROFIT & LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Half-year Ended 31 December 2022 $	Half-year Ended 31 December 2021 $
Revenue	3	13,029,146	8,277,179
Transportation, gathering and compression		(7,057,267)	(2,421,854)
Production and ad valorem taxes		(690,640)	(374,735)
Lease and field operating expense		(2,811,335)	(2,429,877)
Depreciation, depletion, and amortisation		(1,032,351)	(1,012,633)
Other expenses	4	(1,901,741)	(2,179,371)
Impairment of exploration and evaluation assets	9	(3,675,034)	-
Impairments - other		-	(146,630)
Finance costs		(299,559)	(444,933)
Other gains		3,367	14,582
Loss before Income Tax		**(4,435,414)**	**(718,272)**
Income Tax Expense		(88,813)	-
Loss for the period		**(4,524,227)**	**(718,272)**
Other Comprehensive Income			
Items that may be reclassified subsequently to profit or loss:			
Exchange rate differences on translation of foreign operations		(128)	(91,621)
Other Comprehensive Loss for the period net of Tax		**(128)**	**(91,621)**
Total Comprehensive Loss for the period		**(4,524,355)**	**(809,893)**
Loss for the Period Attributable to:			
Members of the parent entity		(4,524,227)	(718,272)
		(4,524,227)	**(718,272)**
Total Comprehensive Loss Attributed to:			
Members of the parent entity		(4,524,355)	(809,893)
		(4,524,355)	**(809,893)**
Earnings per Share from Continuing Operations:			
Basic earnings per share	5	(0.08) cents	(0.02) cents
Diluted earnings per share	5	(0.08) cents	(0.02) cents

This statement should be read in conjunction with the notes to the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTE	31 December 2022 $	30 June 2022 $
Current Assets			
Cash and cash equivalents		1,947,172	3,386,466
Trade and other receivables		4,721,499	2,529,543
Oil in tank inventory		328,250	249,290
Other current assets	6	930,032	765,054
Total Current Assets		**7,926,953**	**6,930,353**
Non-Current Assets			
Property, plant and equipment	7	783,170	757,600
Development and producing assets	8	11,415,345	13,149,686
Exploration and evaluation assets	9	3,977,404	7,917,824
Right of use assets	10	1,196,041	1,119,127
Deferred tax assets		150,550	150,550
Other assets	6	561,060	559,360
Total Non-Current Assets		**18,083,570**	**23,654,147**
Total Assets		**26,010,523**	**30,584,500**
Current Liabilities			
Trade and other payables		6,874,728	5,587,308
Lease liability		487,098	413,906
Asset retirement obligation	11	164,931	373,381
Financial liabilities	12	361,206	92,792
Deferred revenue		72,873	153,000
Total Current Liabilities		**7,960,836**	**6,620,387**
Non-Current Liabilities			
Other long-term liabilities		4,454	4,454
Financial liabilities	12	258,710	532,004
Lease Liability		792,215	761,823
Asset retirement obligation	11	4,841,228	5,987,537
Total Non-Current Liabilities		**5,896,607**	**7,285,818**
Total Liabilities		**13,857,443**	**13,906,205**
Net Assets		**12,153,080**	**16,678,295**
Equity			
Issued capital	13	90,431,638	90,376,981
Reserves		226,602	282,247
Accumulated losses		(78,505,160)	(73,980,933)
Total Equity		**12,153,080**	**16,678,295**

This statement should be read in conjunction with the notes to the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued Capital	Share Based Payment Reserve	Foreign Currency Reserve	Accumulated losses	Total
	$	$	$	$	$
Balance at 1 July 2021	**87,767,272**	**255,916**	**331,164**	**(74,587,878)**	**13,766,474**
Loss for the period	-	-	-	(718,272)	(718,272)
Exchange differences on translation of foreign operations	-	-	(91,621)	-	(91,621)
Total comprehensive income loss	-	-	**(91,621)**	**(718,272)**	**(809,893)**
Share issued during the period	2,531,046	-	-	-	2,531,046
Performance rights issued	-	18,177	-	-	18,177
Conversion of performance rights	218,576	(218,576)	-	-	-
Share issue costs	(129,243)	-	-	-	(129,243)
Balance at 31 December 2021	**90,387,651**	**55,517**	**239,543**	**(75,306,150)**	**15,376,561**
Balance at 1 July 2022	**90,376,981**	**106,738**	**175,509**	**(73,980,933)**	**16,678,295**
Loss for the period	-	-	-	(4,524,227)	(4,524,227)
Exchange differences on translation of foreign operations	-	-	(128)	-	(128)
Total comprehensive loss	-	-	**(128)**	**(4,524,227)**	**(4,524,355)**
Conversion of performance rights	55,517	(55,517)	-	-	-
Share issue costs	(860)	-	-	-	(860)
Balance at 31 December 2022	**90,431,638**	**51,221**	**175,381**	**(78,505,160)**	**12,153,080**

This statement should be read in conjunction with the notes to the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Half-year Ended 31 December 22 $	Half-year Ended 31 December 21 $
Cash Flow from Operating Activities		
Receipts from customers	8,661,932	8,315,684
Payments to suppliers and employees	(9,178,206)	(7,368,981)
Interest received	3,606	82
Interest paid	(58,126)	(55,943)
Income tax paid	(149,965)	-
Net cash (used in) / generated from operating activities	**(720,759)**	**890,842**
Cash Flow from Investing Activities		
Cash received on purchase of Kentucky Exploration JV interest	-	5,930
Payments for Trey asset acquisition (net)	-	(546,838)
Payments for exploration and evaluation activities	(305,998)	(424,934)
Payments for development and producing activities	(160,973)	(34,226)
Payments for plant and equipment	-	(34,481)
Proceeds from disposal of plant and equipment	-	14,500
Loans to joint venture investment	-	(20,557)
Payments for security deposits and bonds	-	(221,414)
Net cash used in investing activities	**(466,971)**	**(1,262,020)**
Cash Flow from Financing Activities		
Repayment of borrowings	(54,523)	(297,006)
Principal payment for lease liabilities	(162,942)	-
Proceeds from exercise of options	-	2,513,426
Share issue costs	(860)	(141,333)
Net cash (used in) / provided by financing activities	**(218,325)**	**2,075,087**
Net (decrease) / increase in cash held	(1,406,055)	1,703,909
Cash at the beginning of the period	3,386,466	1,043,020
Effects of exchange rate changes on cash & cash equivalents	(33,239)	(37,506)
Cash at the end of the period	**1,947,172**	**2,709,423**

This statement should be read in conjunction with the notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

The financial report includes the consolidated financial statements and notes of AXP Energy Limited ('Parent Entity', 'Company' or 'AXP') and its controlled entities ('Group').

NOTE 1 – BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

This condensed consolidated half-year financial report does not include all the notes of the type usually included in an annual financial report.

It is recommended that this condensed consolidated half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2022 and any public announcements made by AXP Energy Limited during the half-year in accordance with any continuous disclosure obligations arising under the Corporations Act 2001.

AXP is a company limited by shares, incorporated and domiciled in Australia. The address of the Company's registered office and principal place of business is AXP Energy Limited, Level 4, 8 Spring Street, Sydney, NSW 2000. The Company is a for-profit entity for the purpose of preparing the financial statements.

The presentation currency of the Group is the United States Dollar ('USD' or US$).

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, the amounts in the directors' report and in the financial report have been rounded to the nearest dollar, or in certain cases, to the nearest thousand dollar (where indicated).

The condensed consolidated half-year financial report was authorized for issue by the directors on 10 March 2023.

(a) Basis of preparation

This condensed consolidated half-year financial report has been prepared in accordance with Australian Accounting Standard *Interim Financial Reporting ("AASB 134")*, as appropriate for for-profit entities, and the *Corporations Act 2001*. Compliance with AASB 134, as appropriate for for-profit entities, ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

The condensed consolidated half-year financial report has been prepared under the historical cost convention.

Except as disclosed in Note 1(b), the accounting policies applied in this condensed consolidated half-year financial report are consistent with those of the annual financial report for the year ended 30 June 2022.

(b) Summary of significant accounting policies

In the current period, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period.

The adoption of the new and amended Standards and Interpretations issued by the AASB did not have a material impact on the Group for the half-year ended 31 December 2022.

(c) Accounting standards issued but not yet effective

The following standards have been issued but are not yet effective. The effective dates are listed to the right of the pronouncement. The standards, when applicable, will be applied in accordance with the effective date. The impact that initial application of the Accounting Standard has not been determined as of the date of this report.

AASB 2021-2 Amendments to Australian Accounting Standards –Disclosure of Accounting Policies and Definition of Accounting Estimates	1 Jan 2023
AASB 2022-7 Editorial Corrections to Australian Accounting Standards and Repeal of Superseded and Redundant Standards	1 Jan 2023
AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current	1 Jan 2024

(d) Critical accounting estimates and judgements

Critical accounting estimates and judgements have been consistently applied with the previous financial year and corresponding interim period.

NOTE 2 – GOING CONCERN

The financial report of the Group has been prepared on a going concern basis. The Group incurred a loss for the half-year after tax of $4,524,227 (half-year ended 31 December 2021: loss of $718,272). $3,675,034 of the loss was due to a non-cash impairment of its Cimarex lease (see Note 9). The Group incurred a net cash outflow from operating activities of $720,759 (half-year ended 31 December 2021: $890,842 cash inflow). Additionally, the Group had a working capital deficit of $33,883.

The Group's ability to continue as a going concern is dependent upon the continued generation of cash from operations, the sufficiency of current cash reserves to meet existing obligations, the ability to reschedule continued workover of existing wells and general field development, and, if required, the ability to raise capital. The Board remains confident in the ability of the Group to continue to improve returns from its existing portfolio through a focused review of its well portfolio.

The Board consider that there are reasonable grounds to believe that the Company and the Group will continue as a going concern. The Group's ability to continue as a going concern is contingent on one or more of the following:

- continued workover of existing wells and general field development to enhance production;
- sustaining the reduction in NGL blending costs, achieved since December 2022;
- continued sell down of oil in tank inventory (31 December 2022: 17,891 bbls);
- continued rationalisation and right-sizing of the Company's cost base and postponement of capital expenditure if required;
- support of major creditors in respect of the restructured payables obligations;
- the Group has the ability to issue up to 25% of the current issued share capital of 5,824,680,673 ordinary shares;
- the ability to raise funds via debt, farm-outs, joint ventures, asset sales or a combination of these; and/or
- the realisation of commodity prices in line with current global forecasts for oil, gas and NGLs.

Subsequent to the period end, the Group entered into an agreement with its Working Capital facility lender where the facility is available to be drawn upon or repaid at or before 11 November 2024 (previously 11 November 2023). The facility will also attract interest at the greater of 9% (previously: 6%) per annum or US prime rate + 2.75% interest per annum. The Company will also defer its monthly payments for a period of 6 months commencing 1 March 2023.

Accordingly, the Directors believe that the Group will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of this financial report.

Should the Group not achieve the matters set out above there is significant uncertainty whether the Group will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of operations. This financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the consolidated Group does not continue as a going concern.

NOTE 3 – REVENUE

	Half-year Ended 31 December 2022 $	Half-year Ended 31 December 2021 $
Gas	5,716,433	4,426,645
Oil	2,696,244	2,471,089
Natural Gas Liquids (NGL)	4,358,205	1,365,968
Other revenue	258,264	13,477
Total revenue from operations	**13,029,146**	**8,277,179**

Gas, oil and NGL revenues results from contracts with customers earned at a point in time.

NOTE 4 – OTHER EXPENSES

	Half-year Ended 31 December 2022 $	Half-year Ended 31 December 2021 $
Share based payments	-	17,885
Director fees	84,483	66,581
Payroll and employee benefits	864,431	621,666
Superannuation	17,231	7,935
Professional fees	680,989	738,914
Regulatory compliance - G&A	104,954	155,230
Administrative and corporate costs	519,776	1,145,985
Other expenses	45,371	43,630
Overhead recovery from outside interests (non-operators)	(415,494)	(618,455)
	1,901,741	**2,179,371**

NOTE 5 – EARNINGS PER SHARE & DILUTED EARNINGS PER SHARE

	Half-year Ended 31 December 22 $	Half-year Ended 31 December 21 $
Earnings used in calculating earnings per share	(4,524,227)	(718,272)
	No of Shares	**No of Shares**
Weighted average number of ordinary shares used in calculating basic EPS	5,817,207,847	4,782,972,042
Adjusted weighted average number of ordinary shares used in calculating diluted EPS	5,817,207,847	4,782,972,042
Basic EPS	(0.08) cents	(0.02) cents
Diluted EPS	(0.08) cents	(0.02) cents

See Note 13 for option details.

NOTE 6 – OTHER ASSETS

	31 December 22 $	30 June 22 $
Other current assets		
Bond deposits	431,548	431,508
Other deposits	126,229	135,833
Prepaid expense and other	372,255	197,713
	930,032	**765,054**
Other non-current assets		
Bond deposits	534,360	534,360
Other deposits	26,700	25,000
	561,060	**559,360**

NOTE 7 – PROPERTY, PLANT AND EQUIPMENT

	31 December 2022 $	30 June 2022 $
Plant and equipment:		
- At cost	1,361,617	1,227,947
- Less: Accumulated depreciation	(578,447)	(470,347)
	783,170	**757,600**

Movement in Property, Plant and Equipment at Cost

Plant and equipment:	
Opening cost	1,227,947
Additions	133,670
Closing cost	**1,361,617**

Movement in Property, Plant and Equipment Accumulated Depreciation

Plant and equipment:	
Opening accumulated depreciation	(470,347)
Depreciation	(108,100)
Closing accumulated depreciation	**(578,447)**

NOTE 8 – DEVELOPMENT AND PRODUCING ASSETS

	31 December 2022 $	30 June 2022 $
Producing assets at cost	15,191,890	16,167,901
Accumulated amortisation	(3,776,545)	(3,018,215)
	11,415,345	**13,149,686**

Movement in Carrying Amounts

Balance at beginning of period	13,149,686
Other asset additions	188,406
Transfer from exploration and evaluation assets	272,513
Asset retirement obligation changes (Note 11)	(1,436,928)
Depletion expense	(758,332)
Balance at end of period	**11,415,345**

At each period end, the Directors' review the carrying values of its development and producing assets to determine whether there is any indication that those assets have been impaired. For those prospects where the Directors believed such an indication existed at period end, they compared the asset's fair value less costs to sell and value in use to the asset's carrying value. Where it was not possible to estimate the recoverable amount of an individual asset, the Directors' estimated the recoverable amount of the cash-generating unit to which the asset belongs.

There was no impairment in the carrying amounts of developing and producing assets during the half-year ended 31 December 2022 or year ended 30 June 2022.

NOTE 9 – EXPLORATION AND EVALUATION ASSETS

	31 December 2022 $	30 June 2022 $
Exploration and evaluation assets at cost	3,977,404	7,917,824

Movement in Carrying Amounts:

Balance at beginning of period	7,917,824
Additions	7,127
Transfer to development and producing assets	(272,513)
Impairment of exploration expenditure	(3,675,034)
Balance at end of period	**3,977,404**

As of 31 December 2022 and 30 June 2022, the Group's exploration and evaluation assets relate only to the Denver Julesburg area of interest.

Impairment

During the half-year ended 31 December 2022, the Group recorded an impairment of exploration and evaluation asset balances totaling $3,675,034, in connection with its Cimarex lease in Colorado, to a carrying value of $nil. In consultation with Cimarex, the Company has not undertaken any development activity on this lease since the outbreak of the Covid-19 pandemic but there have been ongoing discussions with Cimarex as to the future of the lease. In the half year ended 31 December 2022, the lease was placed under new ownership. The Company has held initial discussions with the new owners regarding lease tenure renewal, however it remains uncertain as to whether the new owners will permit the Company to maintain the lease operating license, and under what conditions. Notwithstanding the decision to impair the asset, the Company intends to continue good-faith discussions with the new lease owner in order to determine if continued tenure can be secured on acceptable terms. Therefore, the Company will not amend its reserves and resources until a final determination on tenure is made.

No impairment was deemed necessary during the year ended 30 June 2022.

NOTE 10 – LEASE ASSETS AND LIABILITIES

	31 December 2022 $	30 June 2022 $
Lease assets:		
- At cost	1,855,249	1,582,892
- Less: Accumulated depreciation	(659,208)	(463,765)
	1,196,041	**1,119,127**

Reconciliation of the carrying amount of lease assets at the beginning and the end of the period:

Carrying amount at the beginning of the period	1,119,127
Additions	272,357
Depreciation	(195,443)
Carrying amount at the end of the period	**1,196,041**

Lease liabilities:		
- Current	487,098	413,906
- Non-current	792,215	761,823
	1,279,313	**1,175,729**

Lease expenses and cash flows:

Interest expense on lease liabilities	47,358	89,185
Depreciation expense on lease assets	195,443	355,703
Total cash outflow in relation to leases	210,300	404,738

NOTE 11 – ASSET RETIREMENT OBLIGATIONS

	31 December 2022 $	30 June 2022 $
Current	164,931	373,381
Non-current	4,841,228	5,987,537
	5,006,159	**6,360,918**

Beginning balance	6,360,918
Accretion	247,134
Plugging and abandonment costs incurred	(164,965)
Change in estimated Asset Retirement Obligation (i)	(1,436,928)
Ending Balance	**5,006,159**

The Group records the present value of the estimated cost of legal and constructive obligations to restore operating locations in the period in which the obligation arises (Asset Retirement Obligation, or "ARO"). The nature of restoration activities includes the removal of facilities, abandonment of wells and restoration of affected areas.

A restoration provision is recognised and updated at different stages of the development and construction of a facility and then reviewed on an annual basis. When the liability is initially recorded, the estimated cost is capitalised by increasing the carrying amount of the related exploration and evaluation assets. Over time, the liability is increased for the change in the present value based on a pre-tax discount rate appropriate to the risks inherent in the liability. The unwinding of the discount is recorded as accretion charge. The Company estimated its pre-tax discount rate at 11% (FY22: 11%).

(i) The Group received a favourable update in Reserve estimates, as announced to the ASX on 30 September 2022, resulting in an extension in the life of the wells and a revision in the estimated timing of cashflows associated with its ARO.

The resulting change in the ARO has been recognised against developing and producing assets as at 31 December 2022.

NOTE 12 – FINANCIAL LIABILITIES

	31 December 2022 $	30 June 2022 $
Current		
Working capital facility	284,926	18,925
Field vehicle/equipment financing	76,280	73,867
	361,206	**92,792**
Non-Current		
Working capital facility	-	273,294
Field vehicle/equipment financing	258,710	258,710
	258,710	**532,004**

Working capital

The Company entered into an unsecured working capital facility of $500,000 from a private company during financial year 2021. The facility attracts interest at the greater of 6% per annum or US prime rate + 2.75% interest per annum. The facility is available to be drawn upon or repaid through 11 November 2023. $284,926 of the facility has been drawn upon as of 31 December 2022. The unused amount is $215,074.

Subsequent to period end, the Company entered into an agreement with the private lender whereby the terms of facility were amended (see Note 17 for further information).

Field Vehicle / Equipment Financing

Interest bearing liabilities for field vehicle / equipment pertain to seven trucks and one crawler being used in in AXP's Appalachian Basin. Total financed vehicles / equipment amounted to $334,990 as of 31 December 2022 and is to be paid over an average remaining life of 3.5 years.

NOTE 13 – ISSUED CAPITAL

	# Shares	31 December 2022 $
a. Ordinary Shares		
At the beginning of reporting period	5,812,180,673	90,376,981
Conversion of Performance rights A$0.006/share (i)	12,500,000	55,517
- Less: Cost of capital raising		(860)
At the end of the reporting period	**5,824,680,673**	**90,431,638**

(i) On 19 October 2022, Mr Bradley Mervis, Chief Financial Officer, exercised 12,500,000 Performance Rights, converting to 12,500,000 fully paid ordinary shares.

b. Options	**31 December 2022 Number**
Unlisted	
At the beginning of the reporting period	306,778,999
- Issued	-
- Exercised	-
- Expired	-
At the end of the reporting period	**306,778,999**

Options Outstanding by Class

Unlisted Options	**31 December 2022 Number**	**30 June 2022 Number**
- A$0.005 expire 20 April 2023	211,778,999	211,778,999
- A$0.005 expire 20 October 2023	95,000,000	95,000,000
At the end of the reporting period	**306,778,999**	**306,778,999**

All options were unlisted during the half-year ended 31 December 2022 and year ended 30 June 2022.

NOTE 14 – INTERESTS IN JOINT ARRANGEMENTS

During the period, the Group held interests in Joint Arrangements in the United States of America, as follow:

Joint Operations

Following the acquisition of AXP Energy, Inc. during the year ended 30 June 2021, the Group has a portfolio of over ~1,500 wells. The Group holds an average Net Revenue Interests (NRI) in the acquired AXP Energy, Inc of approximately 75%.

The principal place of the business of the Group's joint operations is as follows:

Appalachian Basin:	AXP Energy, Inc. Head Office, One Summit Square #201 120 Prosperous Place, Lexington, KY 40509 USA

The Group operates the majority of its interests in the properties, however there is a small number for which the Group does not operate. Amounts relating to invoices for costs and revenue between the operator and non-operator are disclosed as Joint Interest Billings (JIBs) within these financial statements.

NOTE 15 – SEGMENT REPORTING

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 determining the allocation of resources.

The Group is managed primarily on the basis of geographical location since the diversification of the Group's operations results in notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

Basis of Accounting for Purposes of Reporting by Operating Segments

a) Description of Segments:

The Group has identified the following reportable segments:

- **Appalachian Basin**: Located primarily in the Eastern part of Kentucky, Western Virginia and North-Eastern part of Tennessee, these assets are located in a well-defined gas producing area of the Appalachian Basin. This basin has a long history of both oil and gas production dating back to the early 1800's. The majority of AXP's assets are conventional vertical wells located in the Eastern part of Kentucky with multiple producing formations including the Berea, Big Injun, Bradley, Cleveland Shale, Gordon, Lower Huron Shale, Maxton and the Rosedale.
- **Denver-Julesburg ("DJ") Basin**: These assets are located in the historic Florence oilfield and are geologically defined by the Canon City Embayment. This area is an extension of the prolific DJ Basin which spans across Colorado, Kansas, Montana and Wyoming. Formations of interest in this area include the Pierre Shale, Niobrara Shale, Codell Sandstone & Greenhorn Limestone.
- **Illinois Basin**: Spread across Western Kentucky, situated largely in the heart and most prolific section of the basin. Formations of interest include the Palestine, Waltersburg, Tar Springs, Hardinsburg, Jackson, St. Genevieve, O'Hara, McClosky, Warsaw and Fort Payne.
- **Corporate and Other**: Includes non-trading operations and unallocated corporate costs.

Operating segments have been identified based on internal reports reviewed by the Group's chief executive officer in order to allocate resources to the segment and assess its performance.

b) Segment information:

The group's Chief Executive Officer uses segment revenue, segment result, segment assets and segment liabilities to assess each operating segment's financial performance and position. Amounts reported for each operating segment are the same amount reported in the internal reports to the Chief Executive Officer.

Amounts of segment information are measured in the same way in the financial statements. They include items directly attributable to the segment and those that can reasonably be allocated to the segment based on the operations of the segment.

All revenue is generated in the United States of America.

The total amount of revenue during the half year ending 31 December 2022 derived from customers whose revenue is greater than 10% of the Group's total revenue is $10,441,391 (half-year ending 31 December 2021: $4,800,000).

Revenue from customers whose revenue is greater than 10% of the Group's total revenue was generated by three (half year ending 31 December 2021: three) customers in the Appalachian Basin segment during the half-year ended 31 December 2022.

The only non-current asset attributed to Australia is AXP's investment in AXP US, which is eliminated upon consolidation.

Half-year Ended 31 December 2022	**Appalachian Basin**	**Illinois Basin**	**Denver-Julesburg Basin**	**All Other Segments**	**Total**
	$	**$**	**$**	**$**	**$**
Segment revenue	11,530,059	1,244,634	254,453	-	13,029,146
Production Costs	(9,465,697)	(912,481)	(181,064)	-	(10,559,242)
DD&A	(730,286)	(228,769)	(73,296)	-	(1,032,351)
Other expense	(826,741)	(247,173)	(417,376)	(410,451)	(1,901,741)
Impairments	-	-	(3,675,034)	-	(3,675,034)
Finance costs	(209,008)	(59,429)	(29,608)	(1,514)	(299,559)
Other gains	80	-	40	3,247	3,367
Total profit / (loss) before income tax	298,407	(203,218)	(4,121,885)	(408,718)	(4,435,414)
Income tax expense	(88,813)	-	-	-	(88,813)
Total profit / (loss)	**209,594**	**(203,218)**	**(4,121,885)**	**(408,718)**	**(4,524,227)**
Total segment assets	**16,190,197**	**2,924,855**	**5,978,545**	**916,926**	**26,010,523**
Total segment liabilities excluding inter-company transactions	**10,586,722**	**693,260**	**2,317,335**	**260,126**	**13,857,443**

Half-year Ended 31 December 2021	Appalachian Basin	Illinois Basin	Denver-Julesburg Basin	All Other Segments	Total
	$	$	$	$	$
Segment revenue	7,794,554	171,403	311,222	-	8,277,179
Production Costs	(4,926,043)	(169,962)	(130,461)	-	(5,226,466)
DD&A	(780,036)	(71,429)	(161,168)	-	(1,012,633)
Other expense	(1,001,245)	2,106	(542,839)	(637,392)	(2,179,370)
Impairments	(112,416)	-	(34,214)	-	(146,630)
Finance costs	(349,634)	-	(92,619)	(2,681)	(444,934)
Other gains	14,500	-	53	29	14,582
Total profit / (loss) before income tax	639,680	(67,882)	(650,026)	(640,044)	(718,272)
Income tax expense	-	-	-	-	-
Total profit / (loss)	**639,680**	**(67,882)**	**(650,026)**	**(640,044)**	**(718,272)**
Total segment assets (30 June 2022)	**16,584,186**	**2,946,680**	**9,745,524**	**1,308,110**	**30,584,500**
Total segment liabilities excluding inter-company transactions (30 June 2022)	**11,139,980**	**100,511**	**2,465,734**	**199,980**	**13,906,205**

NOTE 16 – FAIR VALUE MEASUREMENT

Unless otherwise stated, the carrying amounts of financial instruments approximate their fair value. The carrying amounts of trade receivables and trade payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial instruments.

Refer to the Group annual financial report for the year ended 30 June 2022 for further information.

NOTE 17 – SUBSEQUENT EVENTS

The following matters or circumstances have arisen since the end of the period:

- As a result of a rapid deterioration in US gas prices, the Company has embarked on a company-wide cost reduction program and an extensive evaluation of our well portfolio to optimize production in the reduced price environment.
- The Company entered into an agreement with its Working Capital facility lender where the facility is available to be drawn upon or repaid at or before 11 November 2024 (previously 11 November 2023). The facility will also attract interest at the greater of 9% (previously: 6%) per annum or US prime rate + 2.75% interest per annum. The Company will also defer its monthly payments for a period of 6 months commencing 1 March 2023.
- The Company has entered into revised payment plans with some of its suppliers to defer additional payments over an agreed period commencing 1 March 2023. Around $300,000 of trade and other payables have been renegotiated deferring settlement until post 31 December 2023. The outstanding amounts and payment plans will be reviewed every 90-180 days with the suppliers.

DIRECTORS' DECLARATION

The directors of the Company declare that:

1. The financial statements and accompanying notes, as set out on pages 8 to 28 are in accordance with the Corporations Act 2001:

    a) comply with Australian Accounting Standards including the Australian Accounting Interpretations and the Corporations Regulations 2001; and

    b) give a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the year ended on that date; and

2. In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

3. The directors have been given the declarations by the Chief Executive Officer, Chief Financial Officer and Company Secretary required by Sec 295(a) of the Corporations Act 2001.

4. The consolidated financial statements comply with International Financial Reporting Standards as stated in Note 1(a).

This declaration is made in accordance with a resolution of the Board of Directors.

Simon Johnson
Chairman

Dated this 10th day of March 2023

INDEPENDENT AUDITOR'S REPORT

(overleaf)

AXP ENERGY LIMITED
ABN 98 114 198 471

INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF AXP ENERGY LIMITED

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of AXP Energy Limited (the "Company") and its controlled entities (the "Group"), which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, 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 AXP Energy Limited does not comply with the *Corporations Act 2001* including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and
(b) 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* ("ASRE 2410"). 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 our review of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 to the consolidated financial statements, which indicates that the Group has incurred a net loss of $4,524,227 and had net cash outflows from operating activities of $720,759 for the half-year ended 31 December 2022. As stated in Note 2 to the consolidated financial statements, these events or conditions, along with other matters as set forth in Note 2 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

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.

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 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

AXP ENERGY LIMITED
ABN 98 114 198 471

INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF AXP ENERGY LIMITED

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.

PITCHER PARTNERS BA&A PTY LTD

PITCHER PARTNERS BA&A PTY LTD

MICHAEL LIPRINO
Director
Perth WA, 10 March 2023