



ASX ANNOUNCEMENT

28 JULY 2022

QUARTERLY ACTIVITIES REPORT

AXP Energy Limited (ASX: AXP, OTC US: AUNXF), ('AXP', 'Company') provides this summary of activities for the quarter ended 30 June 2022 (*all in USD unless stated otherwise*).

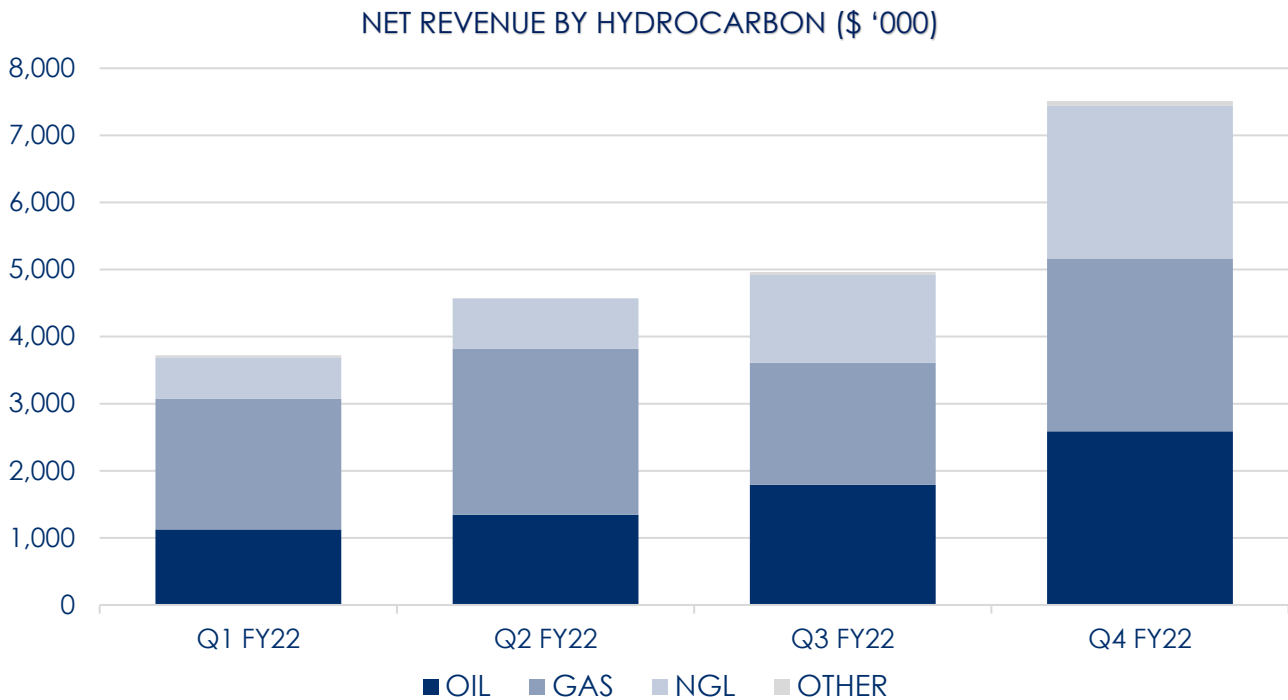
HIGHLIGHTS

- Quarterly net revenue of **\$7,513,165**, up ~51.4% on previous quarter (\$4,961,817);
- Net customers receipts were **\$6,595,000**, up ~49.8% on the prior quarter (\$4,403,000);
- AXP delivered positive operating cashflow of **\$1.61M** for the quarter - a circa 9-fold increase on last quarter's \$186K;
- Net cash increased by **~\$950K** with cash and cash equivalents at quarter end of **\$3,386,000** (\$2,438,634 last quarter);
- Unsold oil inventory held at quarter end totalled **16,558 barrels of oil** (previous quarter: 17,715 barrels of oil);
- Gross production was **194,863 BOE**, up 1.64% on the previous quarter (191,713 BOE). Production growth was modest due to recurring downstream outages in the first 2 months of the quarter, offset by improved oil production volumes (up 19.4%) in the quarter;
- AXP's focus is to use its growing cash balance to increase production through larger well recompletions and ongoing workovers in leases linked to reliable midstream and downstream infrastructure;
- AXP continues to challenge and collaborate with existing and prospective midstream partners with the aim to improve system reliability, production efficiencies and decrease costs.

CEO Tim Hart commented: "AXP's performance for the quarter is encouraging and indicates that we are starting to turn the business around. Net cash is up by almost \$1M to approximately \$3.4M and this has been driven by increased oil production and better contract terms secured for a large percentage of our natural gas sales. Whilst we are pleased with this quarter's performance, there is considerable scope to deliver further upside and we are not yet satisfied with our gas production which has a lot of room for improvement."

"We continue to focus on building natural gas sales channels tied to reliable transport and processing infrastructure, and this is now occurring with additional production through, for example, the KayJay project work. This quarter we will continue initiatives to streamline oil transport and logistics to enhance sales and monetise our ~16,500 oil inventory and optimise our gas contracting to take advantage of strong gas prices."

“Most importantly, our focus in the current quarter is to utilise our strengthening cash position to carry out more low-cost workovers and commence work on two higher impact and larger well recompletions which are aimed at materially adding to production volumes. AXP has a number of key developments in the pipeline, as outlined above, and we look forward to delivering more updates in respect of these developments as the quarter unfolds.”

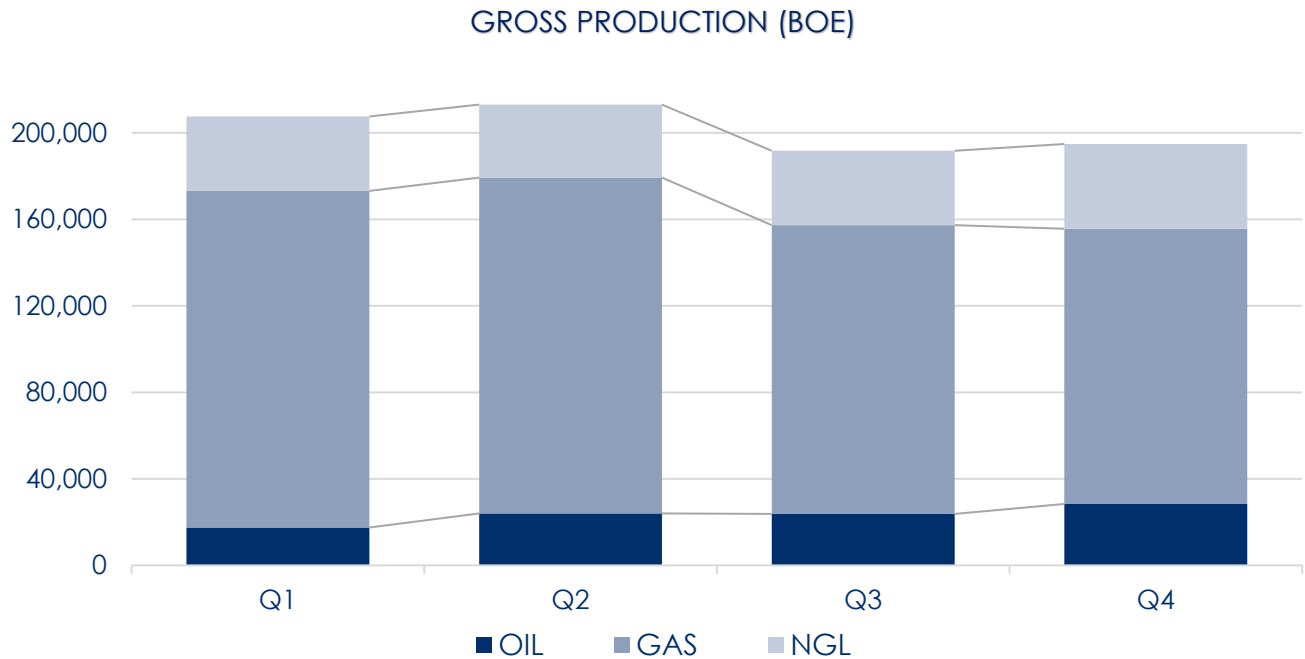


FINANCIAL & CORPORATE OVERVIEW

Net revenue increased primarily due to favourable hydrocarbon prices but also improved oil production volumes which were up almost 20% quarter-on-quarter' and significantly higher NGL revenues as a result of the resale of approximately 1.3M US Gallons of additional NGLs purchased in order to blend with the Company's produced NGLs. Such blending is required so that the NGLs can be transported safely and volumes purchased increased significantly in the quarter due to the warmer weather. The purchase and sale of such blending material is uneconomic and AXP is currently working on various alternative solutions, not only to eliminate this unfavourable impact but also to improve NGL margins.

The Company was operating cashflow positive for the quarter with inflows of ~\$1.6M; a material improvement on the \$186K last quarter. Net cash used in investing activities was \$398K due to ongoing legacy payment plan expenses of \$150K for the quarter and a \$100K security deposit payment for a new credit facility.

AXP remains well funded with cash and cash receivables at quarter end of \$3.39M and minimal debt (\$292K).

PRODUCTION & OPERATIONS OVERVIEW


Natural gas production declined for the fourth consecutive quarter predominantly due to ongoing midstream (pipeline network) and downstream (gas processing plant) reliability issues in the first two months of the quarter. AXP noted an improvement in reliability from late-May and anticipates better reliability moving forward.

As reported, 30% of AXP's gas production comes from leases tied into reliable infrastructure and the Company plans to increase this percentage in subsequent quarters. AXP is in negotiations with several parties to secure acceptable pricing and contractual terms for gas produced by the DPI-2605 well which will add to sales volumes in these leases. New well workovers and larger recompletions within these leases have also been earmarked.

Oil production increased 19.4% quarter-on-quarter from 23,790 barrels to 28,404 barrels and barrels of oil per day increased from 264 to 312. Daily oil production experienced a pleasing increase in the June with the successful recompletion of the DPI-2605 well which was brought online late in the quarter and is currently producing ~50 barrels of oil per day. More wells in and around this lease have been identified for similar recompletions and fracture stimulation. AXP has invested in added storage capacity and haulage vehicles to ensure that oil sales keep up with the increased production.

With respect to the Elite Mining business, where AXP intends to sell gas to power Elite's crypto-mining operation, revenue generated for the quarter was *nil*, the amount of government grants and tax incentives accrued during the quarter was *nil*, expenditure for the quarter (including development, operations, staff & administrative & corporate expenditure) was \$8,340, capital & investment expenditure incurred was \$23,302 and other income generated/expenditure incurred was *nil*. All equipment is now on site with the generator testing underway. Despite further delays experienced in the quarter, the first of the Elite Mobile Units is expected to be operational in the next two weeks.

EXPLORATION AND FIELD DEVELOPMENT ACTIVITIES

During the quarter, work focused on bringing the DPI-2605 well on pump with natural gas still being flared until tie-in to existing infrastructure is completed and contractual terms are agreed with a potential off-taker. Pipeline repairs, tie-ins to shut-in wells and swabbing of wells was also undertaken on the KayJay project and gains from this development activity will be realised this quarter.

As reported last quarter, AXP is focused on a field development program on leases that contain 165 wells, diverse sales channels and where no material service or development work has occurred since 2007. The KayJay project sits within such a lease. Updates on the work program and the planned well recompletions will be provided as the program advances.

E&E expenses of \$31,642 were incurred during the quarter, related to site preparation works for the Elite Mining crypto mining operation. D&P expenses for the quarter were \$399,999, related to the DUC (DPI-2604 and DPI 2605) completions.

HEALTH, SAFETY & ENVIRONMENT

No Lost Time Injuries, Recordable Injuries or Reportable Loss of Containment incidents were recorded in the quarter.

TENEMENT SCHEDULE

AXP's leases held at the end of the quarter are available by clicking the following link:

<https://fremontpetroleum.com/wp-content/uploads/2021/04/FPL-TenementsList-4-20-2021.pdf>

There were no changes to tenements or farm-in or farm-out arrangements during the period.

PAYMENTS TO RELATED PARTIES

Outstanding Directors fees of \$80,248 were paid in the quarter.

This announcement has been authorised by the Board of AXP Energy Limited.

-ENDS-

FURTHER INFORMATION

Sam Jarvis, Non-Executive Director: 0418 165 686

Tim Hart, Chief Executive Officer: +1 (303) 999 5420

ABOUT AXP ENERGY LIMITED

AXP ENERGY Limited (ASX: AXP) (formerly Fremont Petroleum Corporation Limited) is an oil & gas production and development company with operations in Colorado, Illinois, Indiana, Kentucky, Tennessee and Virginia. AXP's focus is to aggressively grow daily production by improving current asset performance and opportunistically acquiring onshore USA oil & gas assets with the following characteristics: producing conventional oil & gas wells; production that can be enhanced through low-cost field operations and workovers; leases which are held by production and which do not require ongoing drilling commitments; and economies of scale which can be achieved by acquiring and carrying out similar enhancement strategies on contiguous or nearby fields with similar characteristics.

DISCLAIMER

This announcement contains or may contain "forward looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21B of the Securities Exchange Act of 1934. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, goals, assumptions or future events or performance are not statements of historical fact and may be "forward looking statements." Forward looking statements are based on expectations, estimates and projections at the time the statements are made that involve a number of risks and uncertainties which could cause actual results or events to differ materially from those presently anticipated. Forward looking statements in this action may be identified through the use of words such as "expects", "will," "anticipates," "estimates," "believes," or statements indicating certain actions "may," "could," or "might" occur. Hydrocarbon production rates fluctuate over time due to reservoir pressures, depletion, down time for maintenance and other factors. The Company does not represent that quoted hydrocarbon production rates will continue indefinitely.

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

AXP Energy Limited

ABN

98 114 198 471

Quarter ended ("current quarter")

30 June 2022

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (12 months) \$US'000
1. Cash flows from operating activities		
1.1 Receipts from Elite Mining Inc ('EMI')	-	-
Receipts from customers (excluding EMI)	6,595	19,314
1.2 Payments for		
(a) exploration & evaluation - EMI	-	-
exploration & evaluation – all others	-	-
(b) development - EMI	-	-
development - all others (P&A, DUC costs)	(308)	(818)
(c) production - EMI	-	-
production - all others	(2,987)	(9,740)
(d) staff costs - EMI	-	-
staff costs - all others	(906)	(3,198)
(e) administration and corporate costs - EMI	-	(4)
administration and corporate costs – all other	(759)	(3,130)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(25)	(109)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives - EMI	-	-
Government grants and tax incentives – all other	-	-
1.8 Other (provide details if material) - EMI	-	-
Other (provide details if material) – all other	-	-
1.9 Net cash from / (used in) operating activities	1,610	2,315

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (12 months) \$US'000
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	(591)
(c) property, plant and equipment - EMI	-	-
property, plant and equipment – all other	-	(197)
(d) exploration & evaluation – EMI	(32)	(115)
exploration & evaluation – all other	(266)	(684)
(e) investments	-	-
(f) other non-current assets	-	-
2.2 Proceeds from the disposal of:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	209
(d) investments	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (Deposits & Bonds)	(100)	(347)
2.6 Net cash from / (used in) investing activities	(398)	(1,725)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	2,513
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(10)	(159)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	(106)	(461)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	(116)	1,893

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (12 months) \$US'000
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4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,439	1,043
4.2	Net cash from / (used in) operating activities (item 1.9 above)	1,610	2,315
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(398)	(1,725)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(116)	1,893
4.5	Effect of movement in exchange rates on cash held	(149)	(140)
4.6	Cash and cash equivalents at end of period	3,386	3,386

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$US'000	Previous quarter \$US'000
5.1	Bank balances	3,386	2,439
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,386	2,439

6.	Payments to related parties of the entity and their associates	Current quarter \$US'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	80
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7. Financing facilities	Total facility amount at quarter end \$US'000	Amount drawn at quarter end \$US'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>		
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	500	292
7.3 Other (please specify)	-	-
7.4 Total financing facilities	500	292
7.5 Unused financing facilities available at quarter end		208
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
Unsecured working capital facility of US \$500,000 from a private lender at US prime rate + 2.75% interest per annum. The facility is available until 11 November 2022. \$292,441 of the facility has been drawn upon as of 30 June 2022.		

8. Estimated cash available for future operating activities	\$US'000
8.1 Net cash from / (used in) operating activities (item 1.9)	1,610
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(298)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	1,312
8.4 Cash and cash equivalents at quarter end (item 4.6)	3,386
8.5 Unused finance facilities available at quarter end (item 7.5)	208
8.6 Total available funding (item 8.4 + item 8.5)	3,594
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	N/A
<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: n/a	
8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: n/a	

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: n/a

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 28 July 2022.....

Authorised by: By the Board.....
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg *Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.