



ASX ANNOUNCEMENT

22 OCTOBER 2021

QUARTERLY ACTIVITIES REPORT

AXP Energy Limited (ASX: AXP, OTC US: AUNXF), ('AXP', 'Company') provides this summary of activities for the quarter ended 30 September 2021. All figures are in AUD unless stated otherwise.

HIGHLIGHTS

- Maiden cashflow positive quarter after all capital and operating expenditure including some significant one-off payments;
- Quarterly net revenue of **\$5,731,238**, a 31% increase on the prior quarter (\$4,386,654);
- Net customers receipts were **\$5,032,726**, a 35% increase on the prior quarter (~\$3,733,924);
- Barrels of oil sold was **28,389 BBL** vs. 24,594 BBL in prior quarter (15% increase);
- Unsold oil inventory held in collection tanks at quarter end was **18,518 BBL** as the Company moderately accelerated its inventory sell-down;
- Natural gas ('gas') sales totalled **774 MMcf** (prior quarter: 694 MMcf) and sale of natural gas liquids ('NGLs') was **31,202 BBL** (previous quarter: 33,321 BBL);
- Cash and cash equivalents of **\$4,066,519**. AXP is well funded with no requirement to raise capital to fund current operations.

COMMENT

Chairman Simon Johnson commented: "We are pleased to deliver this first quarter of positive cash flow, reflecting that we are in the very early stages of realising the benefits from the assets acquired opportunistically in the prior year. It's a great start, but there's a lot more upside to come as we better capitalise on the potential of our extensive well portfolio.

"As we continue to make progress with our previously announced ramp-up of oil sales, AXP Energy is reaping the benefit of its production storage cushion and the opportunistic discretion it confers on management in bringing product to market at favourable prices. Whilst the focus has been on optimising oil revenue, gas sales increased through the quarter although this was partially offset by reduced NGL volumes. Management continues to progress integration of our recent acquisitions in terms of people, reporting and realisation of savings. Investor interest in our company continues to grow as we execute on our plans and develop new opportunities for AXP Energy."

FINANCIAL & CORPORATE REVIEW

Net revenue (revenue after royalties) and receipts from customers grew strongly through the quarter notwithstanding further downstream outages in the Appalachian Basin and Illinois Basin business units. Steady growth in revenue was driven by two factors – increases in oil and gas sales volumes and favourable pricing.

The Company was cash flow positive for the September quarter to the tune of \$301K before receipt of the options conversion proceeds and after all capital and operating expenditure and the payment of some significant one-off expenditure items including \$249K for Illinois Basin production bonds, a \$288K charge for reserves auditing and \$262K for legacy expenses associated with the 2019-2020 Colorado drill program.

Whilst the Board is pleased to report a positive cashflow, the primary focus remains on increasing capital investment to substantially grow oil, gas and NGL production given that all leases still have considerable upside that is yet to be realised.

Cash position: AXP currently has cash on hand of \$4,066,519 following the recent conversion of options. Together with the growing revenue base, the Company is well-funded and has no need to raise additional capital to fund existing operations.

Revenue split: Gas and NGLs represent 63% of quarterly revenue. Oil sales as a percentage of total revenue are growing in relative terms (refer *Charts 1 & 2*). This is principally driven by the progress made in reducing the Company’s oil storage inventory.

NET MONTHLY REVENUE [\$ '000]

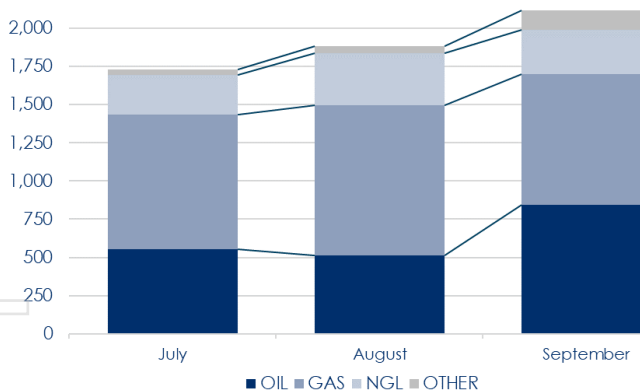


CHART 1

QUARTERLY NET REVENUE

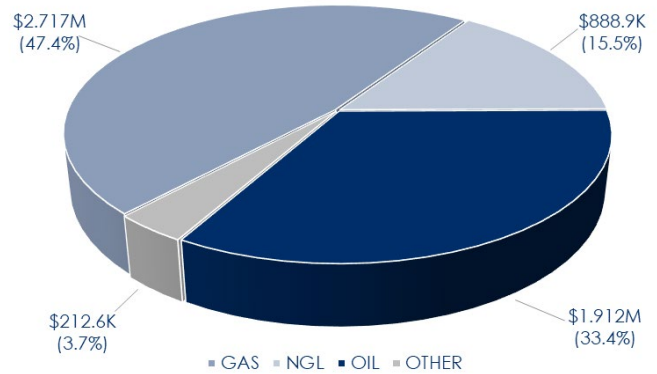


CHART 2

PRODUCTION AND OPERATIONS OVERVIEW

Despite strong volumes and associated revenues, gross gas production was again somewhat curtailed by a number of downstream events beyond the company's control. The Board and management is considering contingencies to improve alternative gas sales channels and reduce our exposure in this regard.

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During the quarter, AXP has signed a binding Heads of Agreement ('HOA') with US-based Elite Mining Inc ('EMI') to deliver in-situ power generation using stranded natural gas from AXP's Colorado leases for use in EMI's cryptocurrency mining operations. AXP's key deliverable and sole focus will be providing EMI with natural gas.

The Elite Mobile Units (EMU's) and all associated equipment required to install the cooling for the Elite proprietary immersion technology has been delivered to the site. The 3MW gas to electric generators are expected on site next week. Once all equipment has been received the system will be constructed and operations will commence within the next few weeks.

With respect to the Elite mining business, 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 \$5,861, capital & investment expenditure incurred was \$39,024 and other income generated/expenditure incurred was *nil*.

As reported, similar opportunities are also being assessed on AXP's leases in Kentucky, Virginia, Tennessee, Indiana and Illinois to tap stranded gas not presently able to be economically exploited and/or that is constraining liquid hydrocarbon production. The heart of AXP's operations lie in Kentucky where significant tax concessions can potentially be accessed by powering cryptocurrency mining operations with natural gas via in-situ power generation.

Oil sales were stronger as AXP started to realise the benefits of internalising part of its oil transport activities after investing \$79K in haulage vehicles. This has reduced overall oil production costs and further savings are being pursued.

Oil production averaged 260 barrels of oil per day and a number of field development plans are being developed to substantially increase production and better capitalise on the strong WTI price.

PRODUCTION AND DEVELOPMENT ACTIVITY

Production and development work undertaken during the period included 13 well workovers and the continuation of a significant pipeline build out project across the leases in the Appalachian Basin. This work has yielded ~133 BOEPD in new gross production for a total investment of ~ USD \$129,000. An additional 10 km of pipeline was laid in the KayJay field to bring on 20 wells that were previously offline due to a mining disruption. This project is still ongoing and is targeted to be completed within the next quarter. An additional 129 wells have been identified as potential producers. These wells are currently under review and workover plans are being established as each well review is completed.

EXPLORATION ACTIVITY

There were no substantive oil and gas exploration activities undertaken in the quarter. Review of our pending annual reserves assessment and continuing buoyancy in spot and forward prices for all categories of hydrocarbons may warrant a reconsideration of our approach at some point.

HEALTH, SAFETY & ENVIRONMENT

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

TENEMENT SCHEDULE

No tenements were acquired or disposed of during the quarter. 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 farm-in or farm-out arrangements during the period.

PAYMENTS TO RELATED PARTIES

Outstanding Directors fees of \$13.6K were paid in the quarter.

EVENTS SUBSEQUENT TO THE END OF THE QUARTER

On 5 October, the Company completed the acquisition of 100% of Trey Exploration Inc through the final payment of US\$450,000. AXP will now assume full operatorship of the Trey leases to better capitalise on the production potential and to identify new low-cost oil production opportunities.

Between 31 September 2021 to date, the Group received \$2,540,000 in proceeds from the exercise of the unlisted options expiring 30 September 2021 and \$80,000 in proceeds from the exercise of the unlisted options expiring 30 November 2021 – representing the conversion of 100% of and 17% those options, respectively.

Non-executive director Peter Crown resigned from the Board, effective 12 October 2021.

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

END

FURTHER INFORMATION

Simon Johnson, Non-Executive Chairman: 0417 478 818

Sam Jarvis, Non-Executive Director: 0418 165 686

Robert Lees, Company Secretary: 0411 494 406

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, 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.

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Appendix 5B

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

Name of entity

AXP Energy Limited (formerly Fremont Petroleum Corporation Limited)

ABN

98 114 198 471

Quarter ended ("current quarter")

30 September 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from Elite Mining Inc ('EMI')	-	-
Receipts from customers (excluding EMI)	5,033	5,033
1.2 Payments for		
(a) exploration & evaluation - EMI	-	-
exploration & evaluation – all others	-	-
(b) development - EMI	-	-
development - all others	-	-
(c) production - EMI	-	-
production - all others	(2,207)	(2,207)
(d) staff costs - EMI	-	-
staff costs - all others	(889)	(889)
(e) administration and corporate costs - EMI	(6)	(6)
administration and corporate costs – all other	(753)	(753)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
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	1,178	1,178

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	(132)	(132)
	(c) property, plant and equipment - EMI property, plant and equipment – all other	- (79)	- (79)
	(d) exploration & evaluation – EMI exploration & evaluation – all other	(39) (309)	(39) (309)
	(e) investments	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(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)	(318)	(318)
2.6	Net cash from / (used in) investing activities	(877)	(877)

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	2,347	2,347
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(28)	(28)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
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	2,319	2,319

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'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	1,391	1,391
4.2 Net cash from / (used in) operating activities (item 1.9 above)	1,178	1,178
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(877)	(877)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	2,319	2,319
4.5 Effect of movement in exchange rates on cash held	56	56
4.6 Cash and cash equivalents at end of period	4,067	4,067

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 \$A'000	Previous quarter \$A'000
5.1 Bank balances	4,067	1,391
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)	4,067	1,391

6. Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to related parties and their associates included in item 1	13
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.

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

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. 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	967	367
7.3 Other (please specify)	-	-
7.4 Total financing facilities	967	367
7.5 Unused financing facilities available at quarter end		600
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 \$667,000 (US \$500,000) from a private lender at US prime rate + 2.75% interest per annum. The facility is available until 11 November 2022. \$367,418 of the facility has been drawn upon as of 30 September 2021.		
Unsecured finance facility of \$300,000 from a private lender at 10% interest, facility available until 31 March 2022. This facility is undrawn as at 30 September 2021.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	1,178
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(348)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	830
8.4 Cash and cash equivalents at quarter end (item 4.6)	4,067
8.5 Unused finance facilities available at quarter end (item 7.5)	600
8.6 Total available funding (item 8.4 + item 8.5)	4,667
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	5.62
<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: 22 October 2021.....

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.