



ASX ANNOUNCEMENT

13 MAY 2022

OPERATIONS UPDATE

AXP Energy Limited (ASX: AXP, OTC US: AUNXF), ('AXP', 'Company') is pleased to provide this update to shareholders on progress in the current quarter.

IMPROVED FIRM GAS CONTRACT PRICING

AXP has leveraged the strength in recent spot gas prices to roll forward existing, lower-priced supply agreements with one of its major customers to secure a 41% increase in pricing for volumes which represent a significant portion of its daily production.

Under the new arrangements, a new price of \$5.446/dth (up from \$3.841/dth) will be payable by the buyer with respect to the supply of:

- 5,000 dekatherms¹ (dth) per day (up from previous volume of 4,000 dth per day) from 1 May through to 31 October 2022; and
- 3,000 dth per day from 1 November 2022 to 31 March 2023.

This new gas price reflects strengthening US spot prices and a desire for customers to lock in firm pricing and volumes ahead of delivery. Although the Company has committed an additional firm volume of 1,000 dth/day for the period to 31 October 2022, it maintains flexibility to capture sales at higher spot prices on its uncontracted volumes.

The new pricing represents an important step in AXP improving margins and taking advantage of favourable commodity prices in the US. It also locks in firm sales over the warmer months, typically a softer pricing period, at pricing set with reference to current high spot prices.

NEW GAS PRODUCTION LINKED TO RELIABLE MIDSTREAM AND DOWNSTREAM INFRASTRUCTURE

As per the most recent Quarterly Activities Report, AXP's focus is on growing production in leases tied into more reliable gas transport and processing infrastructure. Approximately 26% of AXP's daily gas production (or ~1,481 Mcf/day²) comes from leases tied into such infrastructure. So far this month an additional ~250 mcf/day of gas has already been added from tie-ins and workovers on 9 wells conducted this quarter by the Company's internal workovers team. This represents a ~17% increase in daily production from these leases, from only a small number of wells.

As a result, daily production has increased to an average of ~1,731 Mcf/day to date in May. These additional volumes are predominantly sold at the Columbia Gas Transmission index (TCO) price with the average daily May pricing being US\$6.58/dth, thereby allowing AXP to take greater advantage of the strength in current natural gas prices.

¹ 1 dth is equivalent to ~0.855 Mcf.

² Based on AXP's average daily gas production of 8,297 Mcf/day for the month of April 2022.

AXP has identified more than 300 additional wells across these specific leases which have not been worked over since 2007. The Company therefore sees further significant upside for gas production from these leases. AXP will continue to report on production volumes from this area as more wells are worked over with the current program ongoing.

DOWNSTREAM RELIABILITY IMPROVEMENTS

As per the most recent Quarterly Activities Report (and as previously highlighted), ~74% of AXP's gas production, or ~6,160 mcf/day³, is tied into the currently unstable third party midstream and downstream infrastructure that has continued to regularly impact sales volumes. AXP has been working closely with its midstream partner to improve system outage responses and escalate procedures to remedy outages. In addition, there have been several operational and engineering changes made to their system which is anticipated will result in fewer outages in the current quarter. Notwithstanding, AXP does not intend to undertake any well workovers in these leases until further reliability is assured.

COMMENT

Non-Executive Director Sam Jarvis said: *"We are pleased with progress so far in the current quarter and we are very focused on delivering materially improved margins. We are confident that with the higher gas pricing, and by growing sales volumes in more reliable sales channels, better overall performance can be expected. We will continue to update shareholders more regularly as gains materialise."*

INVESTOR WEBINAR

The Company will host an investor webinar at **11:00 AM AEST** on **Wednesday 18 May 2022** to provide further information on the matters mentioned in today's announcement and an update on other operations such as progress of the Elite Mining project in Colorado and pending flow rates from the two drilled & uncompleted wells (DUCs) (see ASX release: 3 February 2022).

Managing Director Tim Hart and Non-Executive Director Sam Jarvis will discuss the Company's recent quarterly results and other near-term value catalysts. Both Tim and Sam will be on hand to address any questions submitted.

Shareholders and other interested parties can register here:

<https://attendee.gotowebinar.com/register/8730781354976891660>

Questions can be submitted in the interim through the platform or by emailing

alex@investorstream.com.au

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

-ENDS-

³ Based on average daily gas production of 8,297 Mcf/day for the month of April 2022.

FURTHER INFORMATION

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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.