ASX ANNOUNCEMENT **31 JANUARY 2023**

QUARTERLY ACTIVITIES REPORT

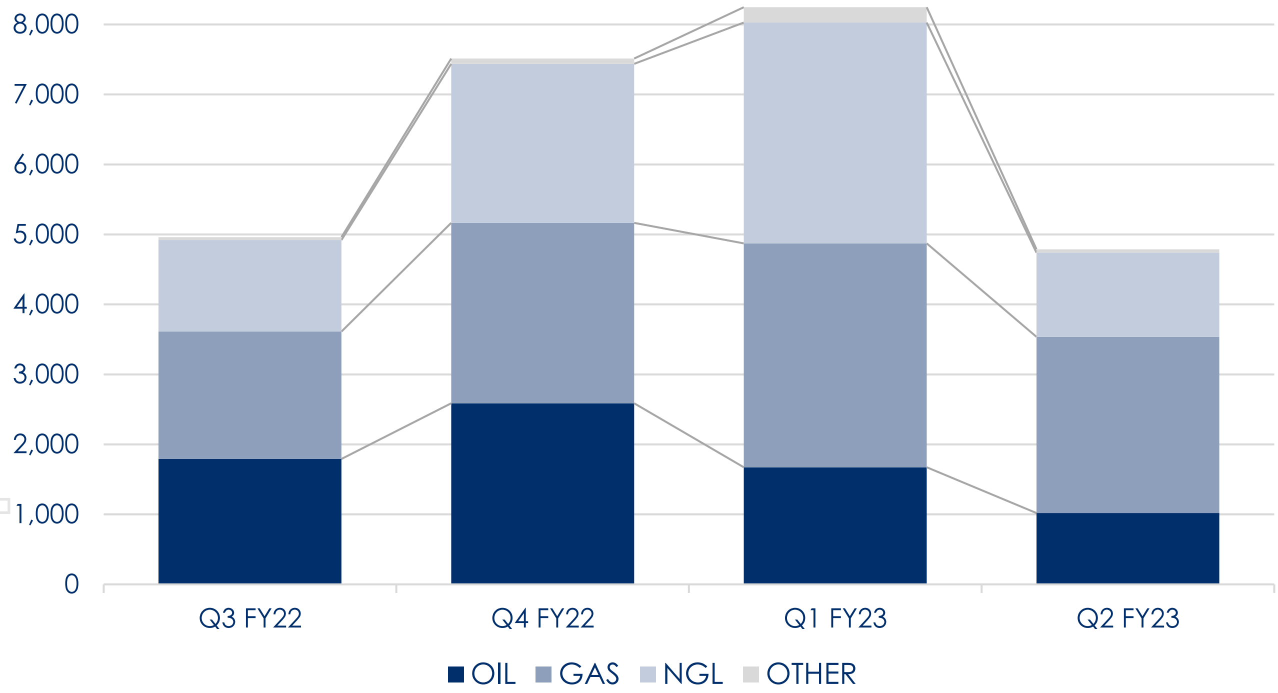
AXP Energy Limited (ASX: AXP, OTC US: AUNXF), ('*AXP*', '*Company*') provides this summary of activities for the quarter ended 31 December 2022 (*all in USD unless stated otherwise*).

HIGHLIGHTS

- Customers receipts in the quarter were **$4,679,722**, up 17% on the prior quarter ($3,982,210), however these included a $920,081 payment for NGLs that was due in the September quarter;
- Cash and cash equivalents at quarter end was steady at **$1,947,044** (Q1: $1,977,788);
- Gross production was **190,384 BOE**, down 6% on the previous quarter (203,352 BOE);
- The 6% decline in gross production, coupled with a **37%** quarter on quarter decrease in realised pricing (December quarter average realised price: $32.48/BOE vs September quarter: $51.42/BOE) & reduced blending resulted in a **42%** fall in quarterly net revenue to **$4,787,828** (September quarter $8,246,460);
- 56% of the total revenue decrease was attributed to a **$1,952,937** fall in NGL revenue to **$1,202,634**. This was primarily due to a significant reduction in the on-sale of *purchased* NGLs fractions acquired for blending with AXP's *produced* NGLs to deliver a saleable product;
- The decline in NGL revenue was accompanied by a **48%** decrease in the associated blending expense. As previously reported, the blending process is uneconomic and AXP has been actively working to reduce and/or eliminate blending entirely. The Company no longer requires purchased third party blend material and revenue and expenses from NGLs will now normalise compared with the previous two quarters;
- Despite a small increase in sales volumes, gas revenue decreased 21% to **$2,518,018** (previous quarter: $3,198,414) and oil revenue fell 39% to **$1,018,936** (previous quarter **$1,673,489**), predominantly driven by a fall in realised commodity prices;
- Unsold oil inventory held at quarter end totalled **17,891 barrels of oil** (previous quarter: 17,907 barrels of oil);
- In response to softer commodity prices, the Company has sought to actively manage and reduce fixed and operating costs, achieving a quarter-on-quarter reduction on overhead charges of 14% and field and lease operating expenses of 28%. This, coupled with the elimination of blending costs in the quarter, lays the foundation for a further reduction in costs in the coming quarter;
- The Company's key areas of focus in the current quarter are: To maintain the new NGL production arrangements whereby there is no requirement to purchase NGLs for blending; to restore and maintain oil production and sales volumes by improving the oil logistics function and finally to add gas production volumes through both new well completions and improved arrangements with our midstream partner (through which ~70% of AXP's gas flows).

Chief Operating Officer Greg Grotke commented: *"AXP faced a number of headwinds in the quarter from reduced hydrocarbon prices, challenges with our NGL sales channel, which was considerably time-consuming for management, and reduced oil sales due to vehicle outages in December. Aside from pricing, many of these issues are being resolved. A small increase in gas sales volumes was one pleasing highlight in the quarter, which was due in part to better reliability being achieved through our midstream processing partner. Notwithstanding, we must continue to optimise performance and reduce costs associated with midstream operations in our largest sales channel. In this regard, AXP has been undertaking a detailed review of the performance of its midstream partner and is in active discussion to reduce operating costs. This includes a review of current and historic charges and practices together with consideration being given to reducing well count. Investment in well recompletions and workovers is currently focused on areas outside of this sales channel. The Company is proactively pursuing clearly defined objectives to improve performance, stabilise operations and reduce costs across its operations and distribution systems. This includes an immediate focus on increasing oil sales across multiple basins and states while controlling costs across our gas producing areas in response to the current commodity pricing. The delivery of these milestones will be communicated as this quarter unfolds."*

NET REVENUE BY HYDROCARBON ($ '000)



FINANCIAL & CORPORATE OVERVIEW

Net revenue for the quarter was 42% lower than the prior quarter at $4,787,828 (prior quarter: $8,246,460). The two key factors contributing to this fall in revenue were a 37% fall in average realised pricing, which dropped from $51.42/BOE in the previous quarter to $32.48/BOE in the December quarter, and the reduction in the resale of purchased blending materials. In addition, there was a 6% decrease in total production compared with the previous quarter, largely due to the impact of winter weather.

The following table breaks out and compares the Company's net sales quantities by hydrocarbon for the past 2 quarters.

NET SALES QUANTITIES*	Q1 2023	Q2 2023	% CHANGE
Gas [Mcf]	448,978	**478,139**	**+6%**
Oil [BBL]	18,943	**14,088**	**-26%**
Produced NGL [USG]	1,433,431	**1,366,610**	**-5%**
Purchased NGL [USG]	1,363,729	**886,230**	**-35%**

** Post royalty*

Whilst the quantity of gas sold improved slightly over the previous quarter, a quarter-on-quarter drop in realised gas price of 26% reduced overall gas revenue. Net oil sales fell by one quarter and realised oil price also fell by 18%, again impacting revenue.

In its September quarterly report (31 October 2022), the Company highlighted an ongoing requirement to blend *purchased* NGL fractions with *produced* NGLs to comply with US road and rail regulations, predominantly during warmer months. As a result, during the September quarter the Company purchased 1,363,729 net US Gallons ('*USG*') of NGLs for blending with the 1,433,431 USG produced NGLs.

Late in the September quarter, the Company entered into a new agreement with a second NGL off-taker, under which there is no requirement to purchase blend material. As a result, the Company achieved a very significant reduction in purchased NGLs for the quarter (886,230 USG) as the Company transitioned into this new agreement, with the quantity of purchased NGLs dropping in the first 2 months of the quarter and finally *none* were purchased in December.

The slight drop in the volume of *produced* NGLs was accompanied by a realised price fall (53%) which contributed to the fall in NGL revenue. However, the largest contributor to the overall decline in NGL revenue was the reduction in the resale of purchased NGLs (down 35%). Given the significant additional costs associated with the blending process, this represents a net favourable outcome irrespective of the revenue impact.

With no further requirement to purchase and on-sell significant quantities of blend NGLs, the Company is confident that future NGL revenue associated with NGL production, transportation and sales will normalise compared with that of the previous 2 quarters. It should therefore be noted that the current and the following quarters' NGL revenue results are therefore not directly comparable to the previous 2 quarters. A favourable impact is also expected in the current and future quarters in the absence of significant expenditure on purchased NGLs.

The December quarter resulted in an operating cash inflow of $241,463, an improvement on the net cash operating outflow of $1,124,055 reported in the previous quarter. The December quarter included the delayed receipt of NGL net cash proceeds of $920,087 and gas sales proceeds of $240,162, both meant to have been received in the September quarter. Net cash used in investing activities was $135,620 due to ongoing legacy payment plan disbursements made during the quarter and site works for the Elite Mining crypto mining operation.

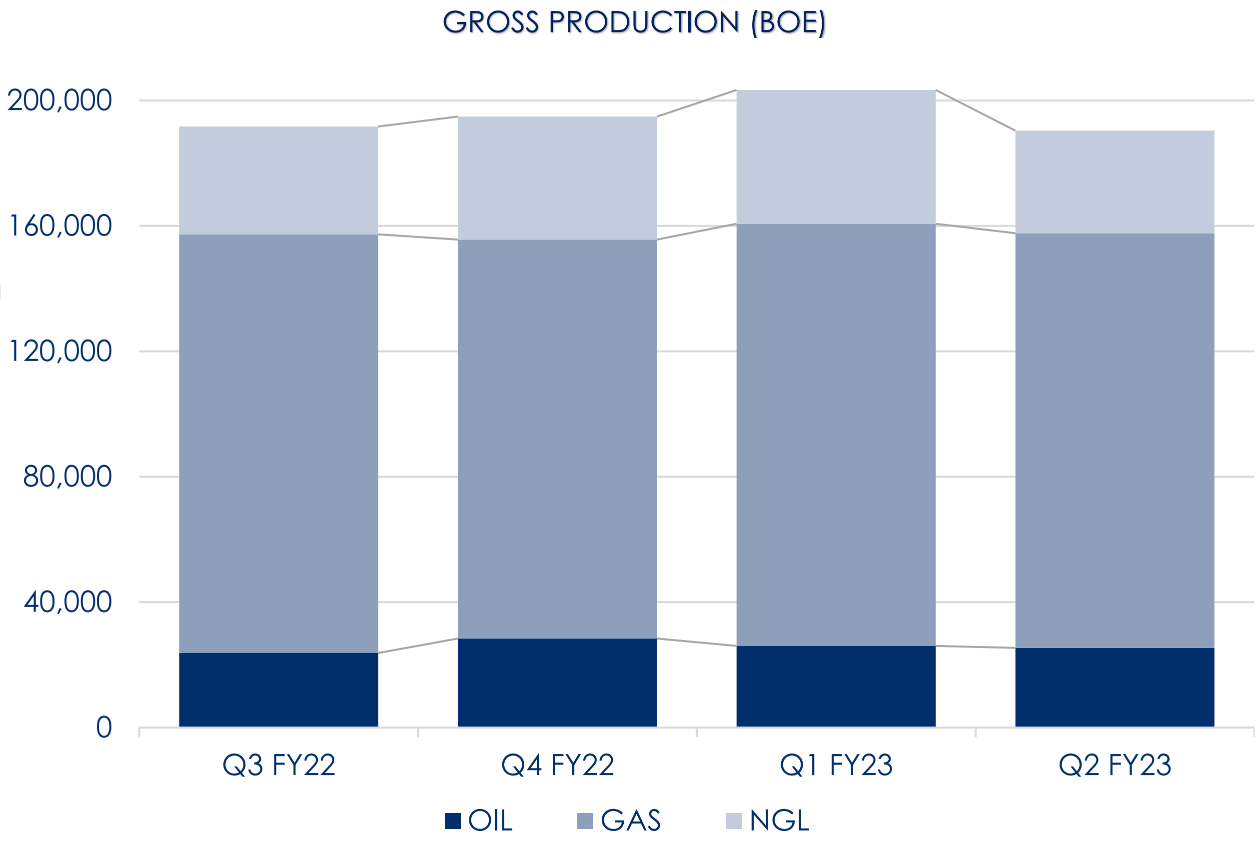
Cash and cash equivalents at quarter end are $1,947,044, coupled with minimal debt ($284,926). Payables continue to be managed in the normal course however a payment of $376,173 to our midstream partner that was due in the December quarter remained unpaid as the Company continues to scrutinise charges under its transportation and processing agreement and as part of its ongoing commercial discussions with our midstream partner.

COST REDUCTION PLANNING TO MITIGATE AGAINST WEAKER GAS PRICES

In response to the recent significant drop in natural gas prices, cost reduction planning is underway and during the quarter the Company eliminated direct labour overtime to lower Lease Operating Expenses by 16% and cut General & Administrative Expenses by 14%. It has also made substantial reductions in field operating costs, which coupled with the elimination of the blending requirements for NGLs has laid a foundation to further reduce the Company's cost base in the current quarter. AXP will continue to control and reduce costs, and pursue sales channels for liquid rich gas (NGLs), particularly if gas prices remain suppressed or fall further. Oil production and sales are also a high priority for our operations in the current pricing environment.

PRODUCTION & OPERATIONS OVERVIEW

During the quarter, the operations team spent considerable effort effecting road repairs within the Appalachian Basin acreage, in response to historic flooding in the previous quarter. In spite of the significant additional work required, both oil and gas production in the area were only slightly down on last quarter. Reductions in production across Q1 and Q2 are not uncommon, whereby North American winter temperatures, and particularly freezing, typically present additional challenges to gas transportation and production.



In previous quarters, the company has reported challenges in transporting oil to market due to supply chain issues where equipment failures have occurred. In order to preserve capital, the company has identified and contracted various temporary transport resources, to assist during its own equipment outages. This program continues to be developed and is expected to improve the oil transport function and, therefore, contribute to a systematic reduction in oil inventories going forward.

Toward the end of the December quarter, record low temperatures across North America resulted in additional operational challenges that impacted the Company's ability to flow product to market through the gathering infrastructure and processing plant for several days. Sporadic power outages at the processing plant also resulted in lower NGL production but concurrently increased direct unprocessed gas sales (without NGL processing) to alternate sales points were made.

Oil sales volumes typically decline in the December and March quarters due to winter weather and production this quarter was further hampered by inoperable vacuum trucks in the Appalachian Basin. In addition, oil production in Colorado was lower as gas wells were shut in because of a planned shut-down to change out generators at the Elite Mining operation.

Given that the WTI price remains relatively buoyant, AXP is also placing greater emphasis on enhancing oil production across all sales channels. Unsold oil inventory of almost 18,000 barrels also gives the Company added sales flexibility during the colder months.

At the Elite Mining business in Colorado, gas revenue generated for the quarter was $4,995 due primarily to gas wells being shut in as Elite implements steps to improve the performance of its power generators. 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 $19,427, capital & investment expenditure incurred was $1,847 and other income generated/expenditure incurred was *nil*.

EXPLORATION AND FIELD DEVELOPMENT ACTIVITIES

The Kay Jay field continues to be an area of focus with 1 well re-completion performed last quarter and a further 2 well re-completions commenced in the December quarter, with both of those expected to be brought online in the current quarter. These three wells are expected to slowly increase production over the next 3 to 4 months as the nitrogen foam frac fluids are recovered and the wells are turned to production channels, once the nitrogen levels are low enough to send the increasing natural gas volumes to sales points.

Additionally, an enhanced oil swabbing program is under development in all fields, with a significant focus on the older horizontal wells in the Leatherwood lease. Swabbing is a proven method of enhancing a well's productive zones by removing accumulated frac fluid and other debris in order to free up the productive zones, improve bottom hole pressure and allow oil to flow more freely. Planning for the anticipated increased production is underway but requires further engagement with our midstream gathering and processing partner.

Finally, during the quarter the Company engaged with a leading provider of cloud based, SaaS well data analytics software, and an associated expert consultant group, with the goal of optimizing production throughout its 1,628 wells. This engagement and the accompanying big-data software solution will provide for detailed well analytics including production forecasting, well diagnostics, well type-curve fitting, probabilistic reserves analysis and project economics within a *single* data-based tool and across the *entire* well inventory.

The Company anticipates that once fully implemented, the new system will allow substantial de-risking and optimization of the field development plan, to maximise production whilst maintaining lean internal geology and reservoir & production engineering functions.

E&E expenses of $135,620 paid during the quarter, related to ongoing legacy payment plan disbursements ($114,346) and site works at the Elite Mining crypto mining operation ($21,274). Development expenses of $316,972 paid during the quarter, related to the Plugging & Abandonment of wells and payments for the well recompletion.

HEALTH, SAFETY & ENVIRONMENT

A single Recordable Injury was recorded during the quarter, however Q2 was otherwise HSE incident free.

TENEMENT SCHEDULE

AXP's leases held at the end of the quarter are available by clicking the link below. There were no changes to tenements or farm-in or farm-out arrangements during the period.

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

PAYMENTS TO RELATED PARTIES

Director's fees of $34,949 were paid in the quarter.

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

-ENDS-

FURTHER INFORMATION: ir@axpenergy.com

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Greg Grotke, Chief Operating Officer: +1 (720) 770-0105

ABOUT AXP ENERGY LIMITED

AXP ENERGY Limited (ASX: AXP) 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 of1933 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	Quarter ended ("current quarter")
98 114 198 471	31 December 2022

Consolidated statement of cash flows			**Current quarter $US'000**	**Year to date (6 months) $US'000**
1.	**Cash flows from operating activities**			
1.1	Receipts from Elite Mining Inc ('EMI')		5	5
	Receipts from customers (excluding EMI)		4,675	8,657
1.2	Payments for			
	(a)	exploration & evaluation - EMI	-	-
		exploration & evaluation – all others	-	-
	(b)	development - EMI	-	-
		development - all others	(317)	(440)
	(c)	production - EMI	-	-
		production - all others	(2,395)	(5,707)
	(d)	staff costs - EMI	-	-
		staff costs - all others	(854)	(1,653)
	(e)	administration and corporate costs - EMI	-	-
		administration and corporate costs – all other	(847)	(1,691)
1.3	Dividends received (see note 3)		-	-
1.4	Interest received		2	4
1.5	Interest and other costs of finance paid		(28)	(58)
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**		**241**	**(883)**

	Consolidated statement of cash flows	Current quarter $US'000	Year to date (6 months) $US'000
2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment - EMI	-	-
	property, plant and equipment – all other	-	-
	(d) exploration & evaluation – EMI	(21)	(48)
	exploration & evaluation – all other	(114)	(258)
	(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)	-	-
2.6	**Net cash from / (used in) investing activities**	**(135)**	**(306)**

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	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(163)	(217)
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**	**(163)**	**(217)**

Consolidated statement of cash flows		Current quarter $US'000	Year to date (6 months) $US'000
4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	1,978	3,386
4.2	Net cash from / (used in) operating activities (item 1.9 above)	241	(883)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(135)	(306)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(163)	(217)
4.5	Effect of movement in exchange rates on cash held	26	(33)
4.6	**Cash and cash equivalents at end of period**	**1,947**	**1,947**

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	1,947	1,978
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)**	**1,947**	**1,978**

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	35
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.

7.	**Financing facilities** *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.*	**Total facility amount at quarter end $US'000**	**Amount drawn at quarter end $US'000**
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	500	285
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	500	285

7.5	**Unused financing facilities available at quarter end**	215

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 2023. $284,926 of the facility has been drawn upon as of 31 December 2022.

8.	**Estimated cash available for future operating activities**	**$US'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	241
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(135)
8.3	Total relevant outgoings (item 8.1 + item 8.2)	106
8.4	Cash and cash equivalents at quarter end (item 4.6)	1,947
8.5	Unused finance facilities available at quarter end (item 7.5)	215
8.6	Total available funding (item 8.4 + item 8.5)	2,162
8.7	**Estimated quarters of funding available (item 8.6 divided by item 8.3)**	**N/A**

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.

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

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: 31 January 2023…..

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.