



ASX ANNOUNCEMENT

10 MARCH 2023

SHAREHOLDER UPDATE

AXP Energy Limited (ASX: **AXP**, OTC US: **AUNXF**), ('AXP', 'Company') is pleased to update shareholders following the release of its financial results for the Half Year ending 31 December 2022. As recently communicated, performance in the half has been impacted by a number of factors including weaker gas prices in North America, lower oil sales due to some non-recurring logistical challenges, and an unprofitable Natural Gas Liquids ('NGLs') sales channel.

Despite these challenges, the Company has made solid progress in the Half Year, and in the current Quarter, restructuring and enhancing operations to underpin improved financial performance. Considerable progress has been made in the following key areas:

A SIMPLIFIED AND IMPROVED NATURAL GAS LIQUIDS BUSINESS

AXP's earnings in the Half Year, and indeed throughout all of CY2022, were adversely impacted by the Company having to purchase and transport expensive third-party material to safely deliver a saleable, blended NGL product from its largest sales channel. As reported (see ASX announcement 3 February 2023) the negative impact of this to AXP across CY2022 was ~US\$3.32M.

The Company has now put in place solutions that both eliminate blending in the winter months and greatly reduce the cost of blending in the summer months. In addition, it has also identified multiple alternative sales channels which are being actively pursued to improve transport logistics and support a higher margin NGL business going forward. As a result of these initiatives, the significant costs incurred throughout CY2022 have been largely eliminated from current operations and the Company expects the NGL business to normalise in the near term.

GAS PRODUCTION OPTIMISATION AND NEW WELL RECOMPLETIONS

To reduce the impact of lower gas prices in the short to medium term, and to ensure the Company is well-positioned to immediately capitalise on any improved pricing, management has undertaken a number of key initiatives:

- Increasing production in the fields with lower operating costs: Specifically, AXP has increased production from the KayJay field to over 1,100Mcf/d at the end of CY2022, from 450Mcf/d at end CY2021. The gathering and compression costs for this field are roughly half the cost of the fields dedicated to the midstream processing facility, which represents AXP's largest gas sales channel and accounts for ~70% of its gas production. The KayJay field also has multiple market outlets, which make this field an attractive target for further investment in gathering system improvements and preparation for recompletions.

The three recompletions done in the KayJay field this fiscal year continue to increase their flow rates and are continuing to generate increased sales volumes. AXP will continue to prioritize capital projects in the KayJay field;

- Improve production efficiencies and lower midstream costs: Within the Company's largest sales channel, AXP continues to work constructively with our midstream partner to improve efficiency and reduce operating costs. Pleasingly, the reliability of these fields has improved considerably, a testament to the cooperation between both parties. Other such initiatives are actively being pursued to deliver better production outcomes and we look forward to informing shareholders accordingly, as these come to fruition;
- Rationalise operations: Across all leases, AXP has rationalised its well count through the temporary shut-in of wells that are marginal producers. This is reducing operating costs and has also allowed the Company to temporarily reduce headcount of field staff and associated costs;

The Company is also seeking to manage its exposure to gas price volatility and current low prices through gas marketing initiatives. Although spot market gas prices have been in the range of \$2.50/MMBtu this week, three new contracts have recently been signed for an aggregate of ~1,500MMBtu/day at average prices closer to \$4/MMBtu for 12 months. AXP will continue to actively monitor the spot price of gas to strike the right balance between managing its exposure to lower gas prices and maximising returns from any future price rises;

Within the low gas price environment, the Company's primary focus is cost control across the entire operation. However, AXP will also look to realise additional revenue by reducing its oil inventory where prices support this. To this end, AXP has secured additional third-party haulage capacity, to complement its in-house fleet and so that it may boost oil sales and capitalise on any short-term favourable pricing.

Chief Executive Officer Tim Hart commented: *"The key to the next two quarters is cost control and improving operational efficiencies. With numerous improvements to our gas and NGL business already completed, we are better prepared in 2023 to manage through these lower commodity prices that typically coincide with the summer months. When opportunities to move more oil to market look favourable, AXP also has additional resources available to complement our in-house oil hauling capabilities. Our portfolio has significant optionality and we continue to work hard to deliver improved margins, better gas production reliability and increased volumes. The key catalyst to benefit from this work in the short to medium term is the gas price. That said, the WTI oil price is tracking favourably and we are very focused on growing oil sales and benefiting from this pricing. More regular updates will be provided so shareholders are well up to speed on pricing and all material operational activities."*

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

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ABOUT AXP ENERGY LIMITED

AXP ENERGY Limited (ASX: AXP, OTC US: AUNXF) 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.