



ASX ANNOUNCEMENT

31 JULY 2023

QUARTERLY ACTIVITIES REPORT

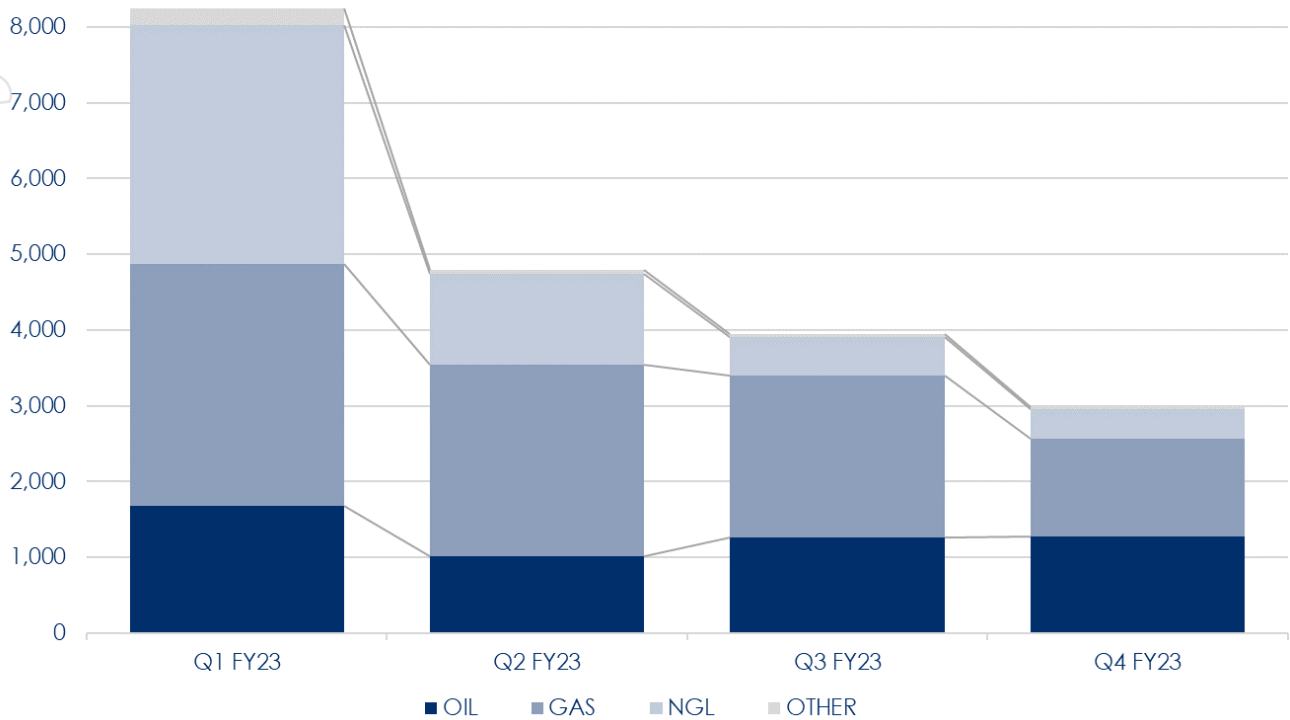
AXP Energy Limited (ASX: AXP, OTC US: AUNXF), ('AXP', 'Company') provides this summary of activities for the quarter ended 30 June 2023 (all in USD unless stated otherwise).

HIGHLIGHTS

- Customers receipts in the quarter were **\$3,377,151**, down **21%** on the prior quarter (\$4,274,023) due primarily to a 31% decrease in realised gas prices;
- Net cash decreased by **\$656,648** with cash and cash equivalents at quarter end at **\$521,765** (previous quarter: \$1,178,414);
- Gross production was **208,726 BOE**, up 12% on the previous quarter (186,879 BOE);
- Revenue decreased **24%** to **\$2,983,107** (previous quarter: **\$3,940,545**) primarily due to lower realised gas prices and reduced volumes;
- Gas sales volumes decreased by **9%** and realised pricing fell by **31%** resulting in gas revenue decrease to **\$1,288,672** (previous quarter: \$2,140,273);
- Oil revenue increased **1%** to **\$1,272,102** (previous quarter \$1,262,779);
- NGL revenue decreased by **22%** to **\$395,544** (previous quarter: \$508,752) predominantly as a result of reduced realised pricing;
- Unsold oil inventory held at quarter end totalled **16,391 barrels of oil** (previous quarter: 18,690 barrels of oil);
- Natural gas prices have improved from the extreme lows seen in the previous quarter but remain suppressed. In response to this, the Company has curtailed production as far as practicable and financially feasible, with the aim of lifting production in anticipation of the expected seasonal increase in market gas prices, as the weather cools;
- At the same time, the production and operations team aim to maximise oil production, to the extent possible with a curtailed gas production regime;
- Operations update to be provided in CEO webinar next week.

Chief Executive Officer Tim Hart commented: "AXP continues to navigate its way through this period of lower gas and NGL prices with a focus on cost control and rationalization of higher cost leases. As a result, we are placing greater emphasis on growing oil production across the Appalachian, Illinois and DJ Basins. The WTI price has increased considerably in the past month to sit at ~US\$80 a barrel and this will help us drive sustained revenue growth from this hydrocarbon stream. Our unsold oil inventory of more than 16,000 barrels gives us added flexibility. Whilst lower gas prices are undoubtedly a challenge for AXP, we are advancing a number of options to see us through this period and underpin our operations. I look forward to providing a fuller update here later in the quarter."

NET REVENUE BY HYDROCARBON (\$ '000)



FINANCIAL & CORPORATE OVERVIEW

Net revenue for the quarter was 24% lower than the prior quarter at \$2,983,107 (prior quarter: \$3,940,545). Again, the main factors contributing to this fall in revenue were lower gas prices and sales volumes, and lower NGL prices.

The following table summarises and compares the Company's net sales quantities by hydrocarbon for the past 2 quarters:

| NET SALES QUANTITIES* | Q3 2023 | Q4 2023 | % CHANGE |
|-----------------------|---------|----------------|------------|
| Gas [Mcf] | 451,533 | 409,717 | -9% |
| Oil [BBL] | 17,426 | 18,654 | +7% |
| NGL [USG] | 979,643 | 978,434 | 0% |

* Post royalties

The volume of gas sold was down 9% over the previous quarter and a quarter-on-quarter drop in realised gas price of 31% reduced overall gas revenue. Net oil sales volumes increased by 7% but this was offset by a reduction in realised pricing of 6%. The volume of NGL sales was in line with the previous quarter; however, again revenue was substantially impacted by a reduction in realised pricing for NGLs of 22%.

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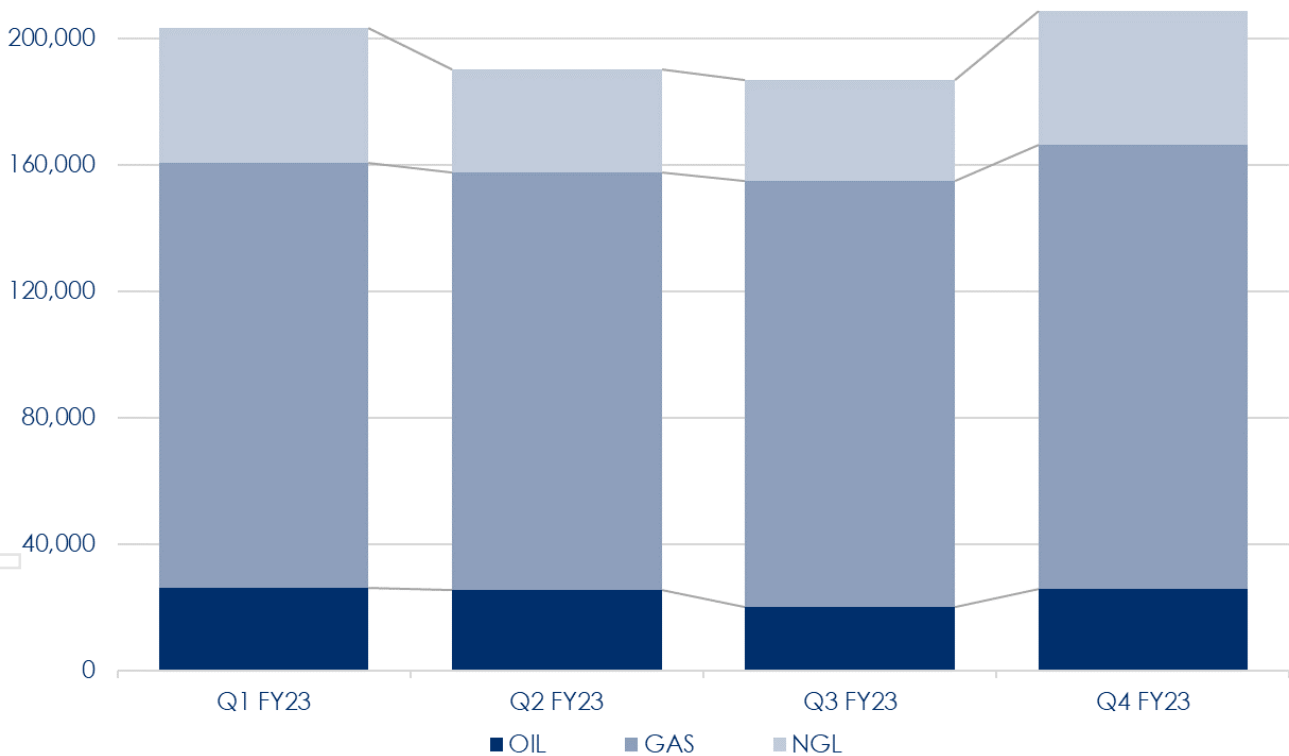
The June quarter resulted in an operating cash outflow of \$510,720 compared to an operating outflow of \$586,199 reported in the previous quarter. Net cash used in investing activities was \$1,299 due to ongoing legacy payment plan disbursements made during the quarter. This was partially offset by proceeds from the sale of some redundant equipment.

Cash and cash equivalents at quarter end are \$521,765, coupled with minimal debt (\$293,231). Payables continue to be managed in the normal course of business.

Subsequent to the quarter end, on 3 July 2023 the Company received \$198,773 in NGL sales proceeds which were expected to be received in June. Had these monies been received in June in line with normal payment terms, the cash and cash equivalents at quarter end would have been \$720,538.

PRODUCTION & OPERATIONS OVERVIEW

GROSS PRODUCTION BY HYDROCARBON (BOE)



The AXP operations team continues to maintain a strong focus on lease operating expense reductions, whilst continuing to maintain production levels – particularly oil production. Across all operations more oil was produced and sold than in the previous quarter. Oil production and oil sales were up 30% and 7% (respectively) quarter on quarter. During this lower gas price environment, the production and operations team continues the focus on producing and selling more oil.

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A marked decrease in operating expenses was noted which was partially attributable to a reduction in the use of consumable goods such as chemicals and also due to a reduction in compression costs and reduced swab rig activity. The operations team will continue to reduce operations expenses with a focus on small practical projects with a short-term payback.

With the unusually hot summer months, the blending down of NGL's for safe transport, as highlighted in the previous 2 quarters' reports, once again became necessary. The Company's primary NGL offtaker was once again able to provide blend materials at no cost but was only able to take 39% of total liquids produced. The remaining liquids were shipped to an alternate offtaker, which required blend materials to be purchased. In total, 60% of all blending material required was purchased. Under the current liquids sales arrangement transportation is a very costly component which increases when blend material is required.

On a more positive note, with respect to NGL blending, a fractionation plant will be constructed next to the liquids terminal in order that the natural gas liquids stream can be broken down into its more valuable constituents. These fractions will in turn be sold and transported into local markets. This plant is expected to be completed by the end of this year. Once this plant is completed, blending will no longer be required.

The Colorado operations delivered minimal impact to the overall AXP business. At the Elite Mining site, gas 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 \$280, capital & investment expenditure incurred was \$nil and other income generated/expenditure incurred was \$nil.

EXPLORATION AND FIELD DEVELOPMENT ACTIVITIES

Exploration and development activities continue to be minimised during the low gas price environment and the Company continues to only consider projects with a 90-day or shorter payout. Exploration & Evaluation expenses of \$27,099 paid during the quarter, related to ongoing legacy payment plan disbursements and site works at the Elite Mining crypto mining operation.

HEALTH, SAFETY & ENVIRONMENT

No Recordable Injuries were recorded during the quarter.

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 \$88,803 were paid in the quarter. This includes the payment of certain deferred director's PAYG fees from 1 July 2020 to 31 December 2022.

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

-ENDS-

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Sam Jarvis, Non-Executive Director: 0418 165 686

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 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 2023 |
|--------------|

| 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') | - | 5 |
| | Receipts from customers (excluding EMI) | 3,377 | 16,308 |
| 1.2 | Payments for | | |
| | (a) exploration & evaluation - EMI | - | - |
| | exploration & evaluation – all others | - | - |
| | (b) development - EMI | - | - |
| | development - all others | - | (671) |
| | (c) production - EMI | - | - |
| | production - all others | (2,427) | (11,103) |
| | (d) staff costs - EMI | - | - |
| | staff costs - all others | (810) | (3,440) |
| | (e) administration and corporate costs - EMI | - | - |
| | administration and corporate costs – all other | (610) | (2,944) |
| 1.3 | Dividends received | - | - |
| 1.4 | Interest received | 1 | 7 |
| 1.5 | Interest and other costs of finance paid | (41) | (140) |
| 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 | (510) | (1,978) |

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

| 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 | - | - |
| | (c) property, plant and equipment - EMI | - | - |
| | property, plant and equipment – all other | - | - |
| | (d) exploration & evaluation – EMI | - | (69) |
| | exploration & evaluation – all other | (27) | (313) |
| | (e) investments | - | - |
| | (f) other non-current assets | - | - |
| 2.2 | Proceeds from the disposal of: | | |
| | (a) entities | - | - |
| | (b) tenements | - | - |
| | (c) property, plant and equipment | 26 | 44 |
| | (d) investments | - | - |
| | (e) other non-current assets | - | - |
| 2.3 | Cash flows from loans to other entities | - | - |
| 2.4 | Dividends received | - | - |
| 2.5 | Other (provide details if material) | - | - |
| 2.6 | Net cash from / (used in) investing activities | (1) | (338) |

| | | | |
|-------------|---|--------------|--------------|
| 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 | (142) | (499) |
| 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 | (142) | (499) |

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

| Consolidated statement of cash flows | Current quarter \$US'000 | Year to date (12 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 | 1,178 | 3,386 |
| 4.2 Net cash from / (used in) operating activities (item 1.9 above) | (510) | (1,978) |
| 4.3 Net cash from / (used in) investing activities (item 2.6 above) | (1) | (338) |
| 4.4 Net cash from / (used in) financing activities (item 3.10 above) | (142) | (499) |
| 4.5 Effect of movement in exchange rates on cash held | (3) | (49) |
| 4.6 Cash and cash equivalents at end of period | 522 | 522 |

| 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 | 522 | 1,178 |
| 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) | 522 | 1,178 |

| 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 | 89 |
| 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 | 293 |
| 7.3 Other (please specify) | - | - |
| 7.4 Total financing facilities | 500 | 285 |
| 7.5 Unused financing facilities available at quarter end | | 207 |
| 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 \$500,000 from a private lender at US prime rate + 2.75% interest per annum. The facility is available until 11 November 2024. \$293,231 of the facility has been drawn upon as of 30 June 2023. | | |

| 8. Estimated cash available for future operating activities | \$US'000 |
|--|-----------------|
| 8.1 Net cash from / (used in) operating activities (item 1.9) | (510) |
| 8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d)) | (27) |
| 8.3 Total relevant outgoings (item 8.1 + item 8.2) | (537) |
| 8.4 Cash and cash equivalents at quarter end (item 4.6) | 522 |
| 8.5 Unused finance facilities available at quarter end (item 7.5) | 207 |
| 8.6 Total available funding (item 8.4 + item 8.5) | 729 |
| 8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3) | 1.36 |
| <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: There was a delay in receipt of May NGL sales proceeds of \$198,773 (received on 3 July 2023). This should have been received in the June. Had this been received on time, the Company would have had 2.74 estimated quarters of funding available as of 30 June 2023. | |
| 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: Refer response to 8.8.1. The Company anticipates having more than 2 quarters of funding available as a result of receiving May NGL sales on 3 July 2023. | |

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: The Company expects to be able to continue its operations and to meet its business objectives because it has forecast revenue based on continued sales. However, should the depression in gas prices remain, or as circumstances dictate, the Company may consider an asset sale or raising capital (or both).

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 July 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.