



ASX ANNOUNCEMENT

28 JANUARY 2022

QUARTERLY ACTIVITIES REPORT

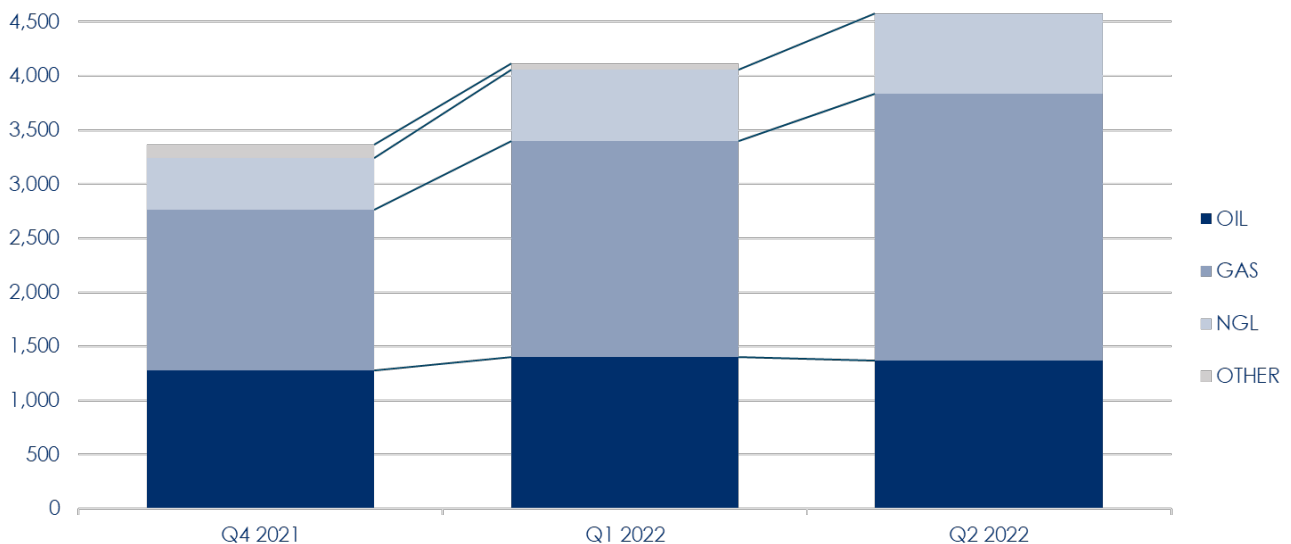
AXP Energy Limited (ASX: AXP, OTC US: AUNXF), ('AXP', 'Company') provides this summary of activities for the quarter ended 31 December 2021.

As the Company now reports in USD, all figures are in USD unless stated otherwise.

HIGHLIGHTS

- Record quarterly net revenue of **\$4,580,652** – up **11%** on previous quarter (\$4,115,578);
- Net customers receipts were **\$4,617,874**, a **25% increase** on the prior quarter (\$3,697,811);
- Despite some large one-off payments and a modest second quarter cash operating loss of \$160K, AXP delivered positive operating cash flow for the first half year of **\$694K**;
- Barrels of oil sold was **26,385 BBL** vs. 28,389 BBL in prior quarter (7% decrease). Oil sale volumes were lower however oil revenue remained stable due to price strength;
- Natural gas ('gas') and natural gas liquids ('NGLs') were down on the previous quarter with gas sales of **697 MMcf** (prior quarter: 774 MMcf) and NGLs sales of **26,822 BBL** (prior quarter: 31,202 BBL);
- Unsold oil inventory held in collection tanks at quarter end remains strong at **17,762 BBL** as the Company moderated its inventory sell-down (previous quarter end: 18,518 BBL);
- Cash and cash equivalents of **\$2,709,422**, which excludes the value of unsold oil inventory was moderately down by \$224,327 on the previous quarter, despite ~\$920K in one-off payments made during the quarter including the final \$450,000 payment to close the Trey asset acquisition.

QUARTERLY NET REVENUE – BY HYDROCARBON



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COMMENT

Chairman Simon Johnson commented: *"Despite the continued downstream outages experienced by our third-party gas processor, we still delivered record revenue for the quarter. This is all the more significant given the onset of winter which sees production levels generally lower in the second quarter. Whilst pricing has been favourable, our team has done well to bring on new production which is contributing to growth. A true measure of AXP's performance, and validation that we are incrementally delivering gains and enhancing performance, is the positive operating cash flow of almost US\$700,000 that we delivered in the first half."*

"A major focus for the team in the second half is ramping up field development activities to grow oil production through our newly formed drilling division and capitalising on the strengthening price of oil, and also advancing operations with Elite Mining which have been slower to materialise than we hoped given permitting issues which we are working on resolving. Both are future growth drivers for AXP, as is the ongoing well workover program which is ongoing across our leases. Addressing downstream outages with our gas processor is also critical area of focus. We are pleased with today's result, our third consecutive quarter of growth, and as we have previously stated, we are continually identifying new opportunities to enhance production and revenue and improve margins. AXP is well-set for the next two quarters and beyond."

FINANCIAL & CORPORATE REVIEW

Net revenue (revenue after royalties) and receipts from customers again grew strongly through the quarter despite continued downstream outages in the Appalachian Basin and Illinois Basin business units which resulted in lower overall production compared with the previous. Outages were experienced in 17 of the 92 days in the quarter. As well, the December quarter is traditionally a more challenging production quarter given the North American winter hampers production and oil collection efforts. As such, the top line growth is pleasing.

Whilst the continued revenue growth was primarily due to stronger hydrocarbon pricing, prudent management and re-negotiation of several of our offtake agreements contributed also, with realised pricing up over 20% on the prior quarter.

The Company was marginally cash flow negative for the December quarter to the tune of \$224K however around \$920K in one-off payments were incurred. These included the final \$450K payment for closing the Trey asset acquisition, as well as a further \$171K in acquisition accounting and auditing and \$300K for regulatory costs, the legacy payment plans and other miscellaneous one-off payments.

The Company will now accelerate oil production increases with the implementation of a field development plan which will commence in parallel with the workover program that has been in place since acquisition. Commencing early February, development operations will include the completion of two drilled but uncompleted wells (DUCs) which have recently been identified (refer further details below).

Cash position: AXP currently has cash on hand of \$2,709,422 (previous quarter end: \$2,933,749). The Company also holds almost 18,000 barrels of unsold oil inventory in its collection tanks. With the continued growth in revenue, the Company remains well-funded and has no need to raise additional capital to fund existing operations.

Revenue split: Gas and NGLs represent 70% of quarterly revenue. Oil sales as a percentage of total revenue grew during the quarter but were fractionally lower than in the previous quarter (refer page 1 and *Charts 1 & 2*).

NET MONTHLY REVENUE [\$'000]

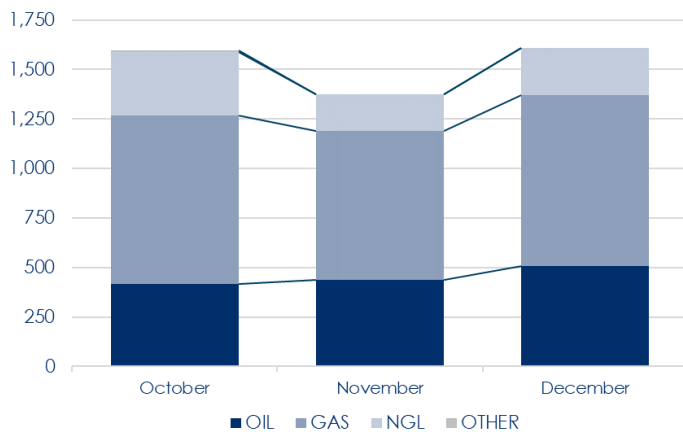


CHART 2

QUARTERLY NET REVENUE SPLIT

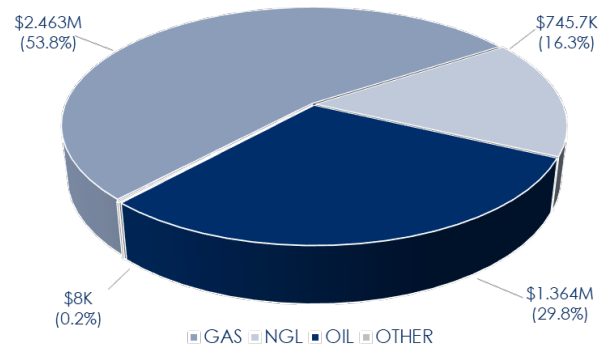


CHART 3

PRODUCTION AND OPERATIONS OVERVIEW

Even with the North American winter in full force, coupled with downstream outages, oil production increased a modest 513 BBL for the quarter.

However, for the 3rd quarter in a row, gross gas and oil production in the Appalachian Basin was again curtailed by a number of downstream events beyond the company's control, with gas and NGL production falling quarter on quarter by 4% and 2%, respectively. Resolving the downstream issue is now a key focus of the Board and Management.

The first power generation site with Elite mining in Colorado has been delayed pending final regulatory approvals as the scope of the operation has increased effecting the layout of the location. New engineering design and site layouts have been provided and are currently under consideration by the regulator.

Although the initial Colorado site was a prerequisite for moving forward with additional sites, due to the regulatory process, the Company is actively pursuing a second site to be located in the state of Kentucky.

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 &

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corporate expenditure) was \$7,177, capital & investment expenditure incurred was \$29,964 and other income generated/expenditure incurred was *nil*.

Consolidation of operations has been a primary focus of the operations team during the quarter. An appropriate management structure and field personnel team have been put in place to complete the transition of having all wells in the Illinois Basin rolled up into AXP's operations function. The Illinois Basin properties span 3 different states within a footprint of approximately 2,500km².

PRODUCTION AND DEVELOPMENT ACTIVITY

Production and development work undertaken during the period included 9 well workovers adding a total production of 58 Mcf/d of gas, 112 USG of NGL's and 26.25 BBL/d. The team spent 66 days swabbing wells recovering a total 808 BBL to restore production on 20 wells totalling a further 553Mcf/d, 1106 USG/d of NGLs and 4 BBL/d. Total additional production brought on this quarter was 173 BOE/d.

The majority of the pipeline has been constructed to complete the Kay Jay pipeline project, however, the operations team encountered a right of way issue that has put the project on hold pending resolution. Twenty-two of the thirty-one wells in the field have been brought back online representing a measured production increase of ~500 Mcf/d.

The AXP oil transport team hauled 12,100 barrels of oil for the quarter representing 45% of the total oil sold. The moderate investment in haulage vehicles has added flexibility to the Company's sales channels and reduced oil transport costs significantly.

EXPLORATION & DEVELOPMENT ACTIVITY

An 8 well drilling program focusing primarily on oil production was formulated during the quarter. In the process of identifying the new drilling locations, the team identified 6 well locations that had been drilled but uncompleted (DUCs). These well locations were drilled in 2007 just prior to the GFC and have not been revisited since. The DUCs have been prioritized above the new planned drilling locations as the mechanical risk and associated costs have already been realized. The engineering for the completion work on 2 of the DUCs is complete and the first completion is scheduled for early February.

HEALTH, SAFETY & ENVIRONMENT

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

TENEMENT SCHEDULE

During the quarter, AXP closed on the Trey transaction, bringing in an additional 4,600 acres and 119 wells to the Company's Illinois Basin portfolio.

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.

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PAYMENTS TO RELATED PARTIES

Outstanding Directors Fees of \$4,616 were paid in the quarter.

SECURITIES ISSUED

During the quarter the Company received A\$450,000 from the exercise of 100% of the 30 November 2021 unlisted Options. A further A\$441,000 was received from the exercise of 88,221,001 of the 30 April 2023 A\$0.005 unlisted Options which represents the exercise of 29.4% of this Option class.

As at 31 December 2021 there are outstanding:

- 211,778,999 30 April 2023 A\$0.005 unlisted Options;
- 95,000,000 30 October 2023 A\$0.005 unlisted Options.

EVENTS SUBSEQUENT TO THE END OF THE QUARTER

In early January, the Company made the \$50,000 payment to close on the acquisition of the 50% interest in the Kentucky JV. These tenements are now included in the above tenement listing.

PROPOSED WEBINAR

The Company will hold a webinar mid next week to provide further commentary to the quarterly report. An invitation will be lodged on ASX early next week with the proposed date and time.

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")

31 December 2021

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')	-	-
Receipts from customers (excluding EMI)	4,618	8,316
1.2 Payments for		
(a) exploration & evaluation - EMI	-	-
exploration & evaluation – all others	-	-
(b) development - EMI	-	-
development - all others	-	-
(c) production - EMI	-	-
production - all others	(2,806)	(4,452)
(d) staff costs - EMI	-	-
staff costs - all others	(802)	(1,455)
(e) administration and corporate costs - EMI	-	(4)
administration and corporate costs – all other	(1,170)	(1,711)
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	(160)	694

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 (6 months) US\$'000
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	(444)	(541)
	(c) property, plant and equipment - EMI	-	-
	property, plant and equipment – all other	(75)	(134)
	(d) exploration & evaluation – EMI	(41)	(70)
	exploration & evaluation – all other	(187)	(389)
	(e) investments	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	15	15
	(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)	(9)	(242)
2.6	Net cash from / (used in) investing activities	(741)	(1,361)
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	789	2,513
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(121)	(141)
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	668	2,372

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 (6 months) US\$'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	2,934	1,043
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(160)	694
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(741)	(1,361)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	668	2,372
4.5 Effect of movement in exchange rates on cash held	8	(39)
4.6 Cash and cash equivalents at end of period	2,709	2,709

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	2,709	2,934
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)	2,709	2,934

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	5
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	718	280
7.3 Other (please specify)	-	-
7.4 Total financing facilities	718	280
7.5 Unused financing facilities available at quarter end		438
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 2022. \$280,005 of the facility has been drawn upon as of 31 December 2021.		
Unsecured finance facility of A\$300,000 (US \$218,133) from a private lender at 10% interest, facility available until 31 March 2022. This facility is undrawn as at 31 December 2021.		

8. Estimated cash available for future operating activities	US\$'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(160)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(228)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(388)
8.4 Cash and cash equivalents at quarter end (item 4.6)	2,709
8.5 Unused finance facilities available at quarter end (item 7.5)	438
8.6 Total available funding (item 8.4 + item 8.5)	3,148
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	8.11
<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: 28 January 2022.....

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.

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