Axp Energy Limited (asx: Axp, Otc Us: Aunxf) Announces Quarterly Activities Report

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LEXINGTON, July 27, 2022 - AXP Energy Ltd. (ASX: AXP, OTC US: AUNXF), ('AXP', 'Company') provides this summary of activities for the quarter ended 30 June 2022 (all in USD unless stated otherwise).

HIGHLIGHTS

- Quarterly net revenue of $7,513,165, up ~51.4% on previous quarter ($4,961,817);
- Net customers receipts were $6,595,000, up ~49.8% on the prior quarter ($4,403,000);
- AXP delivered positive operating cashflow of $1.61M for the quarter - a circa 9-fold increase on last quarter's $186K;
- Net cash increased by ~$950K with cash and cash equivalents at quarter end of $3,386,000 ($2,438,634 last quarter);
- Unsold oil inventory held at quarter end totalled 16,558 barrels of oil (previous quarter: 17,715 barrels of oil);
- Gross production was 194,863 BOE, up 1.64% on the previous quarter (191,713 BOE). Production growth was modest due to recurring downstream outages in the first 2 months of the quarter, offset by improved oil production volumes (up 19.4%) in the quarter;
- AXP's focus is to use its growing cash balance to increase production through larger well recompletions and ongoing workovers in leases linked to reliable midstream and downstream infrastructure;
- AXP continues to challenge and collaborate with existing and prospective midstream partners with the aim to improve system reliability, production efficiencies and decrease costs.

CEO Tim Hart commented: "AXP's performance for the quarter is encouraging and indicates that we are starting to turn the business around. Net cash is up by almost $1M to approximately $3.4M and this has been driven by increased oil production and better contract terms secured for a large percentage of our natural gas sales. Whilst we are pleased with this quarter's performance, there is considerable scope to deliver further upside and we are not yet satisfied with our gas production which has a lot of room for improvement."

"We continue to focus on building natural gas sales channels tied to reliable transport and processing infrastructure, and this is now occurring with additional production through, for example, the KayJay project work. This quarter we will continue initiatives to streamline oil transport and logistics to enhance sales and monetise our ~16,500 oil inventory and optimise our gas contracting to take advantage of strong gas prices."

"Most importantly, our focus in the current quarter is to utilise our strengthening cash position to carry out more low-cost workovers and commence work on two higher impact and larger well recompletions which are aimed at materially adding to production volumes. AXP has a number of key developments in the pipeline, as outlined above, and we look forward to delivering more updates in respect of these developments as the quarter unfolds."

FINANCIAL & CORPORATE OVERVIEW

Net revenue increased primarily due to favourable hydrocarbon prices but also improved oil production volumes which were up almost 20% quarter-on-quarter' and significantly higher NGL revenues as a result of the resale of approximately 1.3M US Gallons of additional NGLs purchased in order to blend with the Company's produced NGLs. Such blending is required so that the NGLs can be transported safely and volumes purchased increased significantly in the quarter due to the warmer weather. The purchase and sale of such blending material is uneconomic and AXP is currently working on various alternative solutions, not only to eliminate this unfavourable impact but also to improve NGL margins.

The Company was operating cashflow positive for the quarter with inflows of ~$1.6M; a material improvement on the $186K last quarter. Net cash used in investing activities was $398K due to ongoing legacy payment plan expenses of $150K for the quarter and a $100K security deposit payment for a new credit facility.

AXP remains well funded with cash and cash receivables at quarter end of $3.39M and minimal debt ($292K).

PRODUCTION & OPERATIONS OVERVIEW

Natural gas production declined for the fourth consecutive quarter predominantly due to ongoing midstream (pipeline network) and downstream (gas processing plant) reliability issues in the first two months of the quarter. AXP noted an improvement in reliability from late-May and anticipates better reliability moving forward.

As reported, 30% of AXP's gas production comes from leases tied into reliable infrastructure and the Company plans to increase this percentage in subsequent quarters. AXP is in negotiations with several parties to secure acceptable pricing and contractual terms for gas produced by the DPI-2605 well which will add to sales volumes in these leases. New well workovers and larger recompletions within these leases have also been earmarked.

Oil production increased 19.4% quarter-on-quarter from 23,790 barrels to 28,404 barrels and barrels of oil per day increased from 264 to 312. Daily oil production experienced a pleasing increase in the June with the successful recompletion of the DPI-2605 well which was brought online late in the quarter and is currently producing ~50 barrels of oil per day. More wells in and around this lease have been identified for similar recompletions and fracture stimulation. AXP has invested in added storage capacity and haulage vehicles to ensure that oil sales keep up with the increased production.

With respect to the Elite Mining business, where AXP intends to sell gas to power Elite's crypto-mining operation, 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 $8,340, capital & investment expenditure incurred was $23,302 and other income generated/expenditure incurred was nil. All equipment is now on site with the generator testing underway. Despite further delays experienced in the quarter, the first of the Elite Mobile Units is expected to be operational in the next two weeks.

EXPLORATION AND FIELD DEVELOPMENT ACTIVITIES

During the quarter, work focused on bringing the DPI-2605 well on pump with natural gas still being flared until tie-in to existing infrastructure is completed and contractual terms are agreed with a potential off-taker. Pipeline repairs, tie-ins to shut-in wells and swabbing of wells was also undertaken on the KayJay project and gains from this development activity will be realised this quarter.

As reported last quarter, AXP is focused on a field development program on leases that contain 165 wells, diverse sales channels and where no material service or development work has occurred since 2007. The KayJay project sits within such a lease. Updates on the work program and the planned well recompletions will be provided as the program advances.

E&E expenses of $31,642 were incurred during the quarter, related to site preparation works for the Elite Mining crypto mining operation. D&P expenses for the quarter were $399,999, related to the DUC (DPI-2604 and DPI 2605) completions.

HEALTH, SAFETY & ENVIRONMENT

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

TENEMENT SCHEDULE

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 tenements or farm-in or farm-out arrangements during the period.

PAYMENTS TO RELATED PARTIES

Outstanding Directors fees of $80,248 were paid in the quarter.

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

ABOUT AXP ENERGY LIMITED

AXP Energy Ltd. (ASX: AXP) (formerly Fremont Petroleum Corporation Limited) 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.

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