



ASX ANNOUNCEMENT

31 OCTOBER 2022

## QUARTERLY ACTIVITIES REPORT

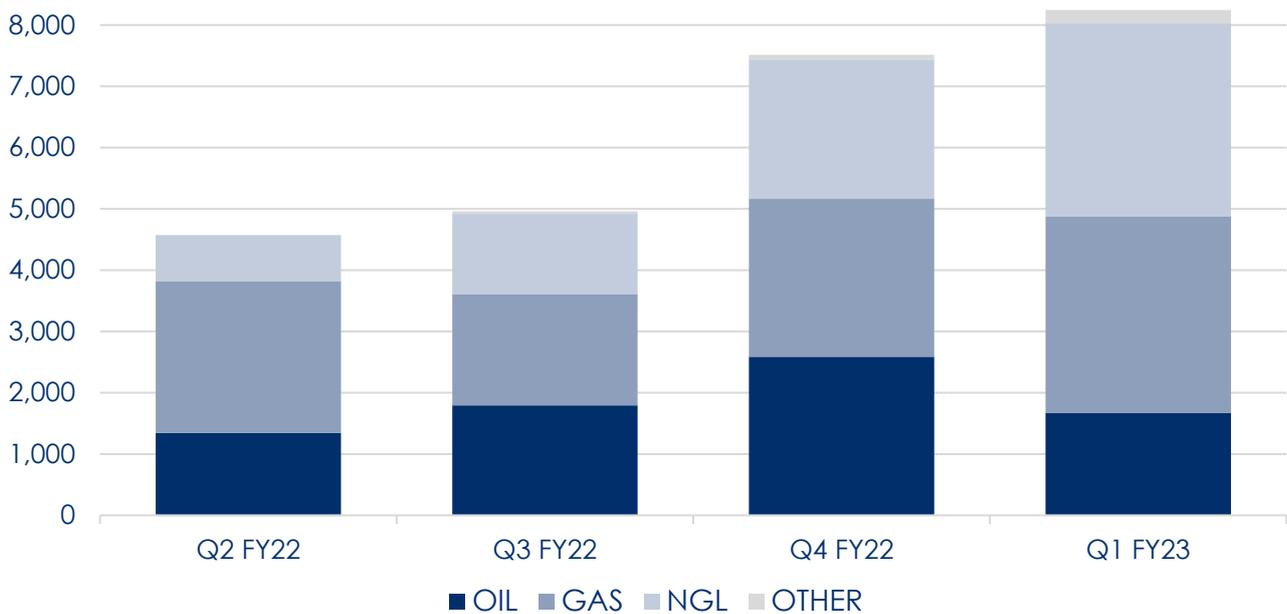
**AXP Energy Limited** (ASX: AXP, OTC US: AUNXF), ('AXP', 'Company') provides this summary of activities for the quarter ended 30 September 2022 (*all in USD unless stated otherwise*).

### HIGHLIGHTS

- Quarterly net revenue of **\$8,246,460**, up 10% on previous quarter (\$7,513,165);
- Customers receipts were **\$3,982,210**, down 40% on the prior quarter (\$6,595,000) predominantly due to the operation of new payment arrangements with the midstream operator, whereby the cost of Natural Gas Liquids (NGLs) payments for blending is offset against aggregate NGL sales receipts. In previous quarters the aggregate of NGL sales receipts were included in customer receipts and payments for blending materials were included as payment for production;
- Under the new NGL payment regime, there was a delay in the receipt of net cash proceeds of \$920,087 from June, July and August NGL sales which was only received on 6 October. There was a further delay in August gas sales proceeds of \$240,162, received 3 October. These significant cash receipts should have been received in the quarter, and their late receipt caused the Company to record negative operating cashflow of **\$1,124,055** for the quarter;
- Net cash decreased by **\$1,408,550** with cash and cash equivalents at quarter end of **\$1,977,788** (prior quarter: \$3,386,000). Had the 2 delayed cash payments (for June-August NGL sales and August gas) been received in September, cash would have been **\$3,138,027** at the quarter end – fractionally down on the June quarter end cash balance;
- Unsold oil inventory held at quarter end totalled **17,907 barrels of oil** (previous quarter: 16,558 barrels of oil);
- Gross production was **203,352 BOE**, up 4% on the previous quarter (194,863 BOE). Gas production growth, the first increase in five quarters, was mainly due to improved midstream and downstream reliability, but significantly reduced oil production and sales volumes in the quarter tempered the overall increase;
- Production growth across the quarter was bolstered by a 9% increase in produced NGLs (1,792,173 US Gallons in the current quarter vs 1,647,164 USG in the previous quarter) and a 6% increase in gas production (807,768 Mcf vs 763,444 Mcf), whereas oil production fell 8% (26,054 BBL vs 28,404 BBL);
- AXP's 3 focus areas in the current quarter are: (a) To rectify requirement to blend its NGLs so as to reduce the current reliance on buying third party product; (b) to restore oil production and sales volumes by further improving logistics and; (c) to add to gas production volumes and margins through new well recompletions and enhancements being finalised with respect to its largest (~70% of volumes) sales channel.

**CEO Tim Hart commented:** “A number of factors impacted revenue and margins in the quarter which resulted in larger cash outflows. Whilst this was largely rectified almost immediately after the quarter end, with cash sitting at a healthy \$3,138,027 within the first week of the new quarter, poor oil sales and production and the cost of blending NGLs were the two largest contributors to AXP reporting cash outflows. We are very confident that both will be rectified in the current quarter and we can deliver a turnaround in performance. On a positive note, we are finally witnessing sustained, improved stability in gas production and sales in our largest sales channel and we are in the final stages of negotiating a number of significant developments that will see us place much greater emphasis on increasing production from the leases which account for 70% of our gas production. We have defined three areas to substantially improve financial performance and reduce the variations in quarter on quarter performance: deliver a solution for our NGL revenue stream that reduces reliance on buying third party product; restore oil production and volumes by further improving the reliability of collection vehicles, and adding to gas production volumes and margins through new well recompletions and enhancements that are being finalised with respect to our largest gas sales channel. We will report on the progress of these initiatives during the current quarter.”

**NET REVENUE BY HYDROCARBON (\$ '000)**



### FINANCIAL & CORPORATE OVERVIEW

Revenue for the quarter was 10% higher than the prior quarter at \$8,246,460 (prior quarter: \$7,513,165), predominantly as a result of higher gas and NGL production as well as a 2% increase in average realised pricing on a per BOE basis. The overall increase in revenue was tempered by a marked drop in oil sales, which were down to \$1,673,489 versus the prior quarter's oil sales of \$2,273,558.

Whilst produced NGLs increased 9% quarter on quarter (as a result of increased gas production), the notable increase in NGL revenue was once again primarily as a result of the resale of the additional NGLs which are required to be purchased to blend with the Company's produced NGLs for safe transportation. Again, the purchased volume was high due to warmer weather, with sales of purchased NGLs of 1,363,729 US Gallons ('USG') versus sales of produced NGLs of 1,433,431 USG.

During the quarter, the Company entered into an agreement with its main NGL off-taker to ease the administrative and cashflow impact associated with purchasing the blend material. This agreement provides for netting off the purchased NGL payments from aggregate NGL sales receipts. For the period June-August 2022, \$2,713,760 payments of blending materials were netted against aggregate NGL sales receipts of \$3,633,847 for the same months, resulting in a net receivable amount of \$920,087. However, this was not received in quarter, but was subsequently received on 6 October 2022.

Due to the netting agreement and related timing issues described above, customer receipts for the quarter were \$3,982,210, down 40% on the prior quarter (\$6,595,000). A further \$240,162 of this decrease was attributed to a delay in receipt of gas sales proceeds, received 3 October 2022.

Going forward, as a result of the netting agreement, the Company will see a sizeable reduction in both its customer receipts and payments to suppliers. Therefore, the Groups' reported cashflows from customer receipts, and payments to suppliers are not directly comparable to its historically reported quarterly results prior to entering into the netting agreement.

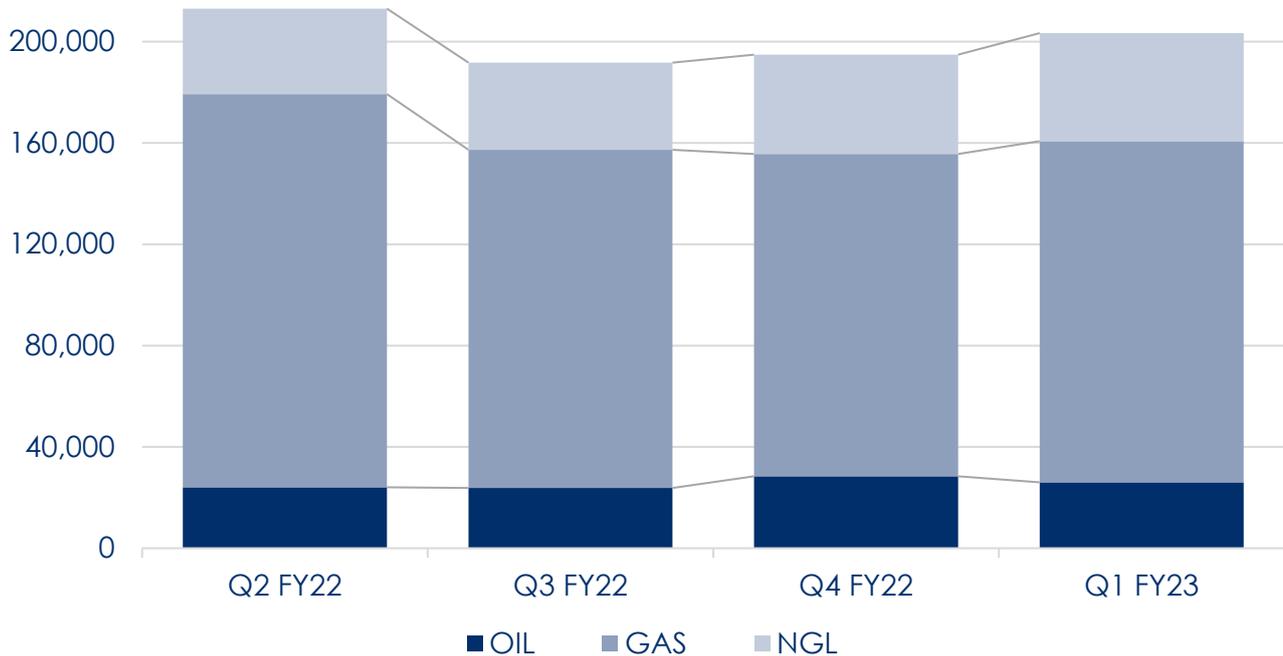
As a result of the delayed receivables, the Company was operating cashflow negative for the quarter with outflows of \$1,124,055; a deterioration on the net cash operating inflow of \$1,609,952 in the previous quarter. Net cash used in investing activities was \$170,378 due to ongoing legacy payment plan disbursements made during the quarter and site preparation works for the Elite Mining crypto mining operation.

Despite this, AXP remains comfortably funded with cash and cash equivalents at quarter end of \$1,977,788 and minimal debt (\$287,770). As outlined above, the \$1,977,788 figure excludes receipt of \$1,160,249 of delayed receivables paid in the first week of October.

## **PRODUCTION & OPERATIONS OVERVIEW**

Natural gas production increased for the first time in five quarters from 763,444 Mcf to 807,768 Mcf due to significant improvement in midstream and downstream reliability. The Company has previously suffered ongoing midstream and downstream reliability issues and has been working closely with these partners to improve reliability. System reliability improved markedly late in the prior quarter and the improved reliability has contributed to improved production through the quarter. The Company expects this trend to continue.

As a result of the increased gas production, NGL production was also up and revenue was also up due to an increase in blending volumes. This is a direct result of the warmer temperatures in North America throughout the quarter.

**GROSS PRODUCTION (BOE)**


Oil production was significantly hampered by logistics and supply chain issues which curtailed the Company's ability to deliver oil to market. These issues have now been resolved and the Company has further bolstered its logistics capability with additional oil transport capacity. The restrictions experienced in delivering oil to market has resulted in an 8% oil inventory build to 17,907 BBL at the end of the quarter compared with 16,558 at the end of the previous quarter.

At the Elite Mining business in Colorado, gas sales to Elite's crypto-mining operation finally commenced and first gas revenue generated for the quarter was booked (\$3,852). During the quarter, the second crypto mining unit and generator were installed and commissioned at the site. It is expected that the third mining unit and generator will be installed and operating in the coming months. 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 \$14,775, capital & investment expenditure incurred was \$11,488 and other income generated/expenditure incurred was *nil*.

**EXPLORATION AND FIELD DEVELOPMENT ACTIVITIES**

The field development plan (FDP) continues to evolve and has grown to 165 potential recompletions. The work associated with many of these recompletions will include opening up additional formations which have shown hydrocarbons behind pipe in nearby or analog wells. The projects defined in the FDP include 76 recompletions, 83 well cleanouts and/or re-stimulations and a further 6 wells that were drilled but not completed.

In the KayJay field, 6 previously shut-in wells were brought online in the quarter. By continuing to bring such wells online, together with the commencement of recompletions and cleanouts in AXP's largest gas production leases referenced above, the Company is confident it can continue to build gas production volumes.

E&E expenses of \$170,378 paid during the quarter, related to ongoing legacy payment plan disbursements (\$144,115) and site preparation works for the Elite Mining crypto mining operation (\$26,263). Development expenses of \$123,371 paid during the quarter, related to the Plugging & Abandonment of 6 wells.

## **HEALTH, SAFETY & ENVIRONMENT**

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

## **TENEMENT SCHEDULE**

There were no changes to tenements or farm-in or farm-out arrangements during the period. 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>

## **PAYMENTS TO RELATED PARTIES**

Directors' fees of \$32,262 were paid in the quarter.

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

-ENDS-

**FURTHER INFORMATION:** [ir@axpenergy.com](mailto:ir@axpenergy.com)

**Sam Jarvis**, Non-Executive Director: 0418 165 686

**Tim Hart**, Chief Executive Officer: +1 (303) 999 5420

## **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

<b>AXP Energy Limited</b>
---------------------------

ABN

98 114 198 471
----------------

Quarter ended ("current quarter")

30 September 2022
-------------------

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (3 months) \$US'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from Elite Mining Inc ('EMI')	-	-
Receipts from customers (excluding EMI)	3,982	3,982
1.2 Payments for		
(a) exploration & evaluation - EMI	-	-
exploration & evaluation – all others	-	-
(b) development - EMI	-	-
development - all others	(123)	(123)
(c) production - EMI	-	-
production - all others	(3,310)	(3,310)
(d) staff costs - EMI	-	-
staff costs - all others	(799)	(799)
(e) administration and corporate costs - EMI	-	-
administration and corporate costs – all other	(844)	(844)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	(30)	(30)
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	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,123)</b>	<b>(1,123)</b>

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (3 months) \$US'000
<b>2. Cash flows from investing activities</b>		
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	(26)	(26)
exploration & evaluation – all other	(144)	(144)
(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)	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(170)</b>	<b>(170)</b>

<b>3. Cash flows from financing activities</b>		
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	(55)	(55)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>(55)</b>	<b>(55)</b>

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (3 months) \$US'000
--------------------------------------	-----------------------------	----------------------------------------

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of period	3,386	3,386
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,123)	(1,123)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(170)	(170)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(55)	(55)
4.5 Effect of movement in exchange rates on cash held	(60)	(60)
<b>4.6 Cash and cash equivalents at end of period</b>	<b>1,978</b>	<b>1,978</b>

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	1,978	3,386
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>1,978</b>	<b>3,386</b>

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	32
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

<b>7. Financing facilities</b>	<b>Total facility amount at quarter end \$US'000</b>	<b>Amount drawn at quarter end \$US'000</b>
<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	288
7.3 Other (please specify)	-	-
<b>7.4 Total financing facilities</b>	<b>500</b>	<b>288</b>
<b>7.5 Unused financing facilities available at quarter end</b>		<b>212</b>
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. \$287,770 of the facility has been drawn upon as of 30 September 2022.		

<b>8. Estimated cash available for future operating activities</b>	<b>\$US'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	(1,123)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(170)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(1,293)
8.4 Cash and cash equivalents at quarter end (item 4.6)	1,978
8.5 Unused finance facilities available at quarter end (item 7.5)	212
8.6 Total available funding (item 8.4 + item 8.5)	2,190
<b>8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)</b>	<b>1.69</b>
<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: No. During the quarter, the Company entered into an agreement with its main NGL off-taker to ease the administrative and cashflow impact associated with purchasing the blend material. This agreement provides for netting off the purchased NGL payments from aggregate NGL sales receipts. For the period June-August 2022, \$2,713,760 payments of blending materials were netted against aggregate NGL receipts of \$3,633,847 for the same months, resulting in a net receivable amount of \$920,087. However, this was not received in quarter, but was subsequently received in 6 October 2022. There was a further delay in August gas sales proceeds of \$240,162, also received in 3 October 2022. The two delayed proceeds of \$1,160,249 should have been received in September 2022. Had they been the Company would have had in excess of 2 quarters funding at 30 September 2022.	

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

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: No. The Company does not propose to raise capital.

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: Yes. The Company will be able to continue its operations and meet business objectives. The delayed receivable were primarily the result in a system change and the expected receipts were a week late and had minimal operational impact.

*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 October 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.