ASX ANNOUNCEMENT **9 March 2021**

TRANSFORMATIONAL ACQUISITION OF ~1,300 NATURAL GAS WELLS DELIVERS LARGE AND PREDICTABLE REVENUE STREAMS TO FREMONT

- **Non-dilutionary acquisition of 100% of Magnum Hunter Production Inc. ('MHP') which has a portfolio of ~1,300 operated long life, low decline natural gas wells in Kentucky, Virginia and Tennessee covering ~100,000 acres of leases across the Appalachian and Illinois Basins**

- **Currently producing ~8.0 MMcf/day gas, 16,000 Gallons of NGLs and ~100 BBL oil (~1,700 BOEPD) generating average monthly gross revenue of ~$A1.01m[1] and operationally profitable**

- **Diverse customer base with currently 13 sales/off-take agreements including utilities, corporate and government customers**

- **Leases have considerable upside: 80% of current production comes from only ~25% of the wells; Opportunity to ramp up production by working vast inventory of shut in and underperforming wells not currently contributing to production**

- **First objective is to immediately increase gas production and NGLs by ~20% with all work funded from cash flow; Supplier agreements being renegotiated to further enhance revenues and improve margins from gas and NGL sales**

- **Scope to also increase oil production through improve storage and logistics solutions**

- **Leases are long life and Held by Production (HBP) with no annual drilling commitments. Production commenced in 1995 and 63% of the lease acreage remains undeveloped.**

- **Extensive due diligence and negotiations undertaken since August 2020 to secure the asset following a competitive bid process**

- **Highly attractive terms: Acquisition price of US$425,000 with close anticipated by end March; FPL assumes operatorship and revenue streams immediately**

- **MHP is a fully functioning, turnkey operation headquartered in Lexington, Kentucky with a dedicated 35-person team, several hundred kilometres of gas gathering systems and pipelines, and associated compression systems feeding into existing sales channels, a vehicle fleet, workshops and equipment which provides FPL with all necessary infrastructure to ramp up production and undertake further asset consolidation in both the Illinois and Appalachian Basins**

- **FPL to hold webinar 11 March 2021 at 11.30 AEST to provide further details on MHP and the Company's broader growth strategy**

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[1] Based on average revenue for the 3 months ended 31 January 2021 which includes the peak winter sales period. Exchange rate of $US0.77 buying $A1.00 used.

Fremont Petroleum Corporation Ltd (ASX: FPL) **('Fremont'** or **'the Company')** is pleased to announce that following extensive due diligence and a competitive bid process it will acquire 100% of Magnum Hunter Production Inc, ('MHP') the operator of ~1,300 long life, low decline conventional natural gas wells located in Kentucky, Virginia and Tennessee spread across both the Illinois and Appalachian Basins. MHP's leases, which are all held by production, cover ~100,000 acres *(see figures 2 & 3).*

This is a transformational acquisition and consistent with FPL's strategy, articulated since mid-2020, which is to acquire under-performing conventional oil & gas leases with immediate production upside achieved from low-cost workovers and re-stimulation and delivering improved return on investment (ROI). MHP meets these all of these characteristics.

<u>Production profile, asset overview and customers</u>

MHP's current production is ~8.0 MMcf/day gas, ~16,000 gallons of natural gas liquids (NGLs) and ~100 BBL oil. Production is split 80% gas, 17% NGLs and 3% oil approximately. The barrels of oil equivalent production is ~1,700 BOEPD. MHP is currently generating average gross monthly revenue of ~$A1.01m and is operationally profitable. The Net Revenue Interest (NRI) is 73% and the average Working Interest (WI) is 87%. FPL is confident of immediately increasing production, revenue and margins. The field has been producing since 1995 and the 100,000 acres of leases are held by production (HBP) with no annual drilling commitments. While the drilling of new wells is not a focus for FPL, over 63% of the leases remain undeveloped.

No significant investment has been made on the leases since 2014 as the asset was considered non-core by previous owners. This under-investment has resulted in ~80% of current production coming from only ~25% of the wells with the balance of the wells being shut in and/or not producing at optimum levels. A structured workover program on the underperforming and shut in wells could yield considerable production gains and FPL is already well-advanced on planning first phase production enhancements. Natural gas, oil and NGLs are currently sold to a mix of customers including utilities, commercial customers and government *(see below).*

<u>Acquisition terms and transaction rationale</u>

FPL has been undertaking extensive due diligence on MHP since August 2020 and already has substantial knowledge of the leases and their potential. Negotiations to acquire the asset commenced when oil & gas prices were significantly lower with FPL recognising at the time the clear benefits of investing in the field and the revenue upside that could materialise in a strengthening energy price environment.

The purchase price of US$425,000 was fixed early in the due diligence process and the SPA is likely to be concluded prior to the end of March. Notwithstanding, FPL will recognise MHP's revenue from today's date. FPL has been able to secure such favourable acquisition terms given its commitment to growth and development of the leases and its intention to keep the current MHP team fully employed and incentivised to deliver growth.

<u>Production and revenue growth strategy</u>

FPL has already commenced working with the MHP team to deliver production gains and improved margins. A first-phase, 90-day works program, including some basic pipeline repairs, kicks off shortly and is forecast to increase current production by ~20%. This will be funded from MHP's existing cash flows and production gains from this program will be reported to shareholders progressively. A second phase program will target more extensive workovers, re-stimulations and side-tracking on the 75% of the well inventory portfolio that is currently shut in and/or not currently tied to production.

FPL is also already assessing ways to enhance daily oil production which is currently hampered by limited storage and collection facilities and other logistical challenges resulting in wells being regularly shut in. Processing costs, transport fees and the current 73% NRI are also being assessed and a strategy has been formulated to deliver further revenue and margin improvement.

<u>Commentary</u>

Chief Executive Officer Tim Hart said: *"MHP is a game-changing acquisition for Fremont and consistent with our growth strategy and focus of building much greater scale in two of the most mature and prolific basins in the US. We have been carefully assessing acquisition opportunities in this part the United States since early 2020 and patiently pursuing assets where there is a mismatch between underlying value and the purchase price. On these metrics, MHP is without doubt the standout play, and in our view, it's a home run.*

"Considerable work has been undertaken to identify the low-cost opportunities to improve production. Our near-term focus is very straightforward; grow the revenue base through workovers funded from existing cash flows, improve margins and the ROI. Whilst we are confident of increasing current gas production by around 20% relatively quickly from the current producing wells, the real prize is maximizing production from the balance of the wells that are shut in or barely producing. Many of these have been neglected but have tremendous upside. We anticipate that the vast majority of wells across the leases that could deliver much more production and as such, the medium-term potential is very compelling without the need to drill one new well.

"We now have an outstanding, motivated team in place poised to extract much greater value from our growing portfolio. We are also making headway increasing production from the Trey leases to fully realize their potential and look forward to reporting the production results as they materialize."

Non-Executive Director Sam Jarvis added: *"MHP delivers an excellent foundation to aggressively execute FPL's '**acquire, enhance and produce'** strategy of growing production by working over long life, low decline conventional natural gas and oil wells in the Illinois and Appalachian Basins. The transaction increases FPL's current well count almost tenfold to ~1,500 wells and our near-term objective is to maximize production from this portfolio, deliver dependable and meaningful cash flows which we can deploy to further grow our broader portfolio in a relatively risk-free manner. There's tremendous opportunity to do so and we see scope to achieve much greater critical mass through our workover program and acquiring other leases with similar production and enhancement characteristics."*

<u>Investor webinar details:</u>

Chief Executive Officer Tim Hart and Non-Executive Director Sam Jarvis will conduct a webinar on **Thursday 11 March 2021 at 11.30am AEDT** to provide further details on the MHP transaction and the immediate growth plans, progress on the Trey Exploration workover program and provide shareholders with the opportunity to ask any questions. A copy of a presentation will be lodged with ASX the morning prior. Questions can also be submitted prior to webinar. Register here: https://attendee.gotowebinar.com/register/6221002019069447950

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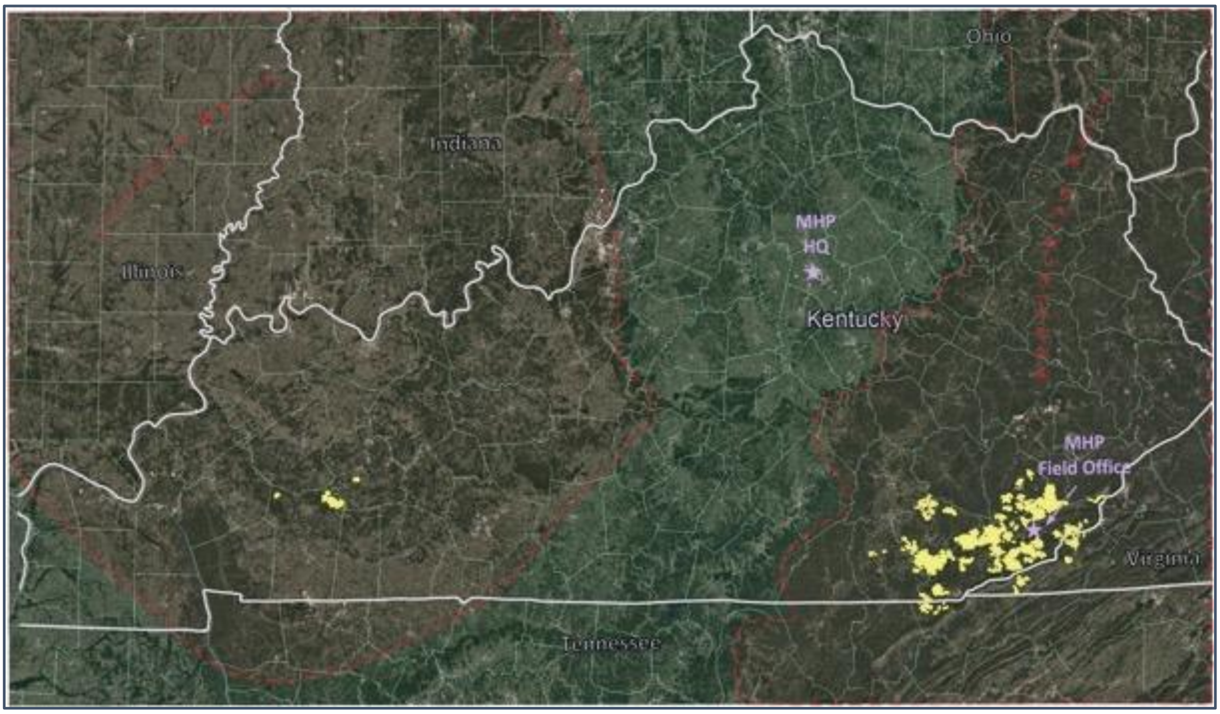

Figure 2: MHP lease locations shown in yellow

The list of oil and gas tenements acquired, due to its size is being released as a separate announcement and can also be accessed on the company's website on the following link:
https://fremontpetroleum.com/wp-content/uploads/2021/03/FPL-TenementsList.pdf

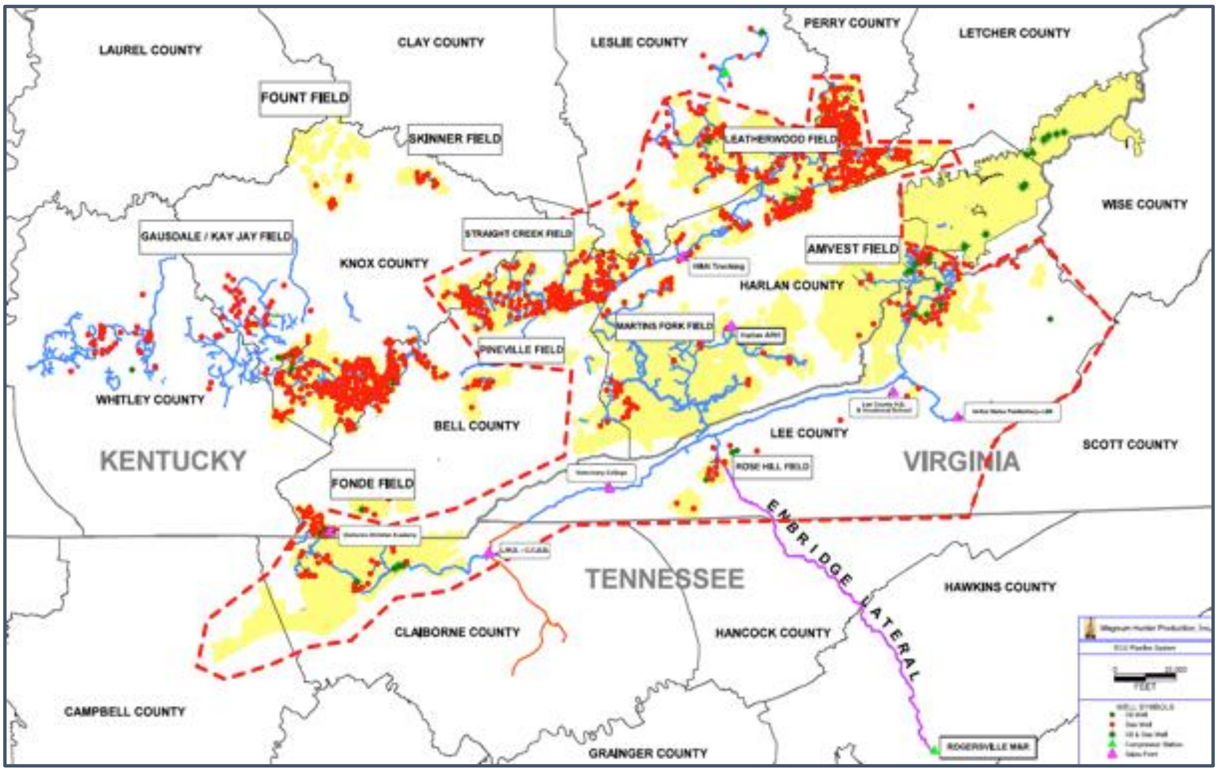

Figure 3: MHP well locations, East Kentucky, Virginia and Tennessee.

This announcement has been authorised by the Board of Fremont Petroleum Corporation Ltd.

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Further information:

Robert Lees, Company Secretary

Email: robert@coysec.com.au Phone: +61 2 9299 9580

Ben Jarvis, Six Degrees Investor Relations: 0413 150 448

ABOUT FREMONT PETROLEUM CORPORATION LTD

Fremont Petroleum Corporation Limited (ASX: FPL) is an Oil & Gas production and development company with operations in Colorado and Kentucky. The Company'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 can be enhanced through low-cost field operations and workovers; leases are held by production and do not require ongoing drilling commitments; and economies of scale can be achieved by acquiring and enhancing similar assets nearby.