



**Pathfinder C11 -12 #1 HZ Well – Fremont County, Colorado**

## **INTERIM FINANCIAL & OPERATIONAL REPORT**

**HALF YEAR ENDED 31 DECEMBER 2017**

# FREMONT PETROLEUM CORPORATION LIMITED

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# FREMONT PETROLEUM CORPORATION LIMITED

## DIRECTORS' AND ACTIVITIES REPORT

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### DIRECTORS' AND ACTIVITIES REPORT

Your Directors submit the financial report of the consolidated entity for the half-year ended 31 December 2017

#### DIRECTORS

The names of each person who has been a Director during the half-year and to the date of this report are:

Mr. Guy Thomas Goudy (Executive Chairman)  
Mr. Tim Hart (Chief Executive Officer & Managing Director)  
Mr. Stuart Middleton (Non-Executive Director)  
Mr. Andrew Blow (Non-Executive Director)  
Mr. Sam Jarvis (Appointed Non-Executive Director on February 28, 2018)

#### COMPANY SECRETARY

Mr. Robert Lees is the Company Secretary.

### REVIEW OF ACTIVITIES & OPERATIONS

- **Well workover program initiated to achieve a steady production rate of +100 Bopd**
- **Aggressive costs reductions implemented to achieve cash flow positivity this half**
- **Drilling and field development continued across the Pathfinder project**
- **Negotiations continued on developing a gas sales channel**
- **Independent estimates calculate a 90% probability that Pathfinder contains 220 Billion cubic feet of gas and 35 million barrels of oil**

#### Events subsequent to the half

- **Successful \$2M placement significantly strengthened balance sheet**
- **Non-Executive Director appointed to strengthen Board**

## FREMONT PETROLEUM CORPORATION LIMITED DIRECTORS' AND ACTIVITIES REPORT (CONTD.)

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**Fremont Petroleum Corporation Ltd** is an oil and gas Production and Development Company that is the operator of its 100%-owned 16,798-acre Pathfinder project in the oil and gas rich region of Fremont County, Colorado, USA.

Fremont's Pathfinder project is large enough to accommodate 500+ wells. Currently, the Company operates 26 oil and gas wells in this field.

Independent estimates calculate a 90% probability that the Pathfinder project contains 35 million barrels of oil and 220 Billion cubic feet of gas.

Fremont also has an interest in non-core oil and gas producing properties in Kentucky and Texas.

Fremont places the safety of its people and the responsible management of the environment in which it operates at the forefront of all operations. In the Company's 10 years of operations, Fremont has experienced only one lost-time accident and zero environmental incidents.

### **Field work undertaken in the half**

Crude oil was discovered in the Western Flank of the Fremont's Pathfinder property with the completion of drilling of the Bird #13-18 well. An under-pressured fracture zone created a vacuum effect within the well bore which has prohibited flow testing operations from occurring.

The Company has shut the well in over the North American winter to allow time for the well to build up pressure to attempt to bring the well to its initial equilibrium state. Further attempts to produce from the well will occur sometime this half, after such time that short term production targets have been met, and if Fremont's technical consultants determine an economic outcome for the well can be achieved.

In August, Fremont reached an agreement with Capillary Energy Services LLC of Colorado to re-enter the C11-12 Pathfinder vertical well drilled in 2012 and to test the unexplored Greenhorn Formation.

Capillary Energy Services is funding 100% of the costs of re-entering the C11-12 Pathfinder vertical well, and in the event of a commercially productive well, they will receive a 5% net revenue interest. Post the perforation, the Greenhorn Formation is liberating crude oil and gas in to the well bore.

The section that this well is on lies within an Elk conservation area that prohibits drilling operations until April 2018. As such, operations have been halted and are expected to recommence this half after short term production targets are met.

## **FREMONT PETROLEUM CORPORATION LIMITED DIRECTORS' AND ACTIVITIES REPORT (CONTD.)**

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The Greenhorn Formation is attracting significant interest from the oil and gas industry. A detailed geologic and petrophysical analysis of the formation in Fremont County is underway.

As reported in December, Fremont has commenced the sale process of its Kentucky assets. The Company is the Operator of this 2,000-acre property in Western Kentucky and owns 50% of the asset.

### **Negotiations for gas sales channels**

The Company is also working towards supplying gas directly to local industries.

Gas will be supplied from existing wells within Fremont's Pathfinder Project which contains large amounts of gas. The Company drilled the Pathfinder C11-12#1Hz horizontal well in 2012.

The well recorded flow rates of 403 Boepd, with hydrocarbon content consisting of approximately 50% gas and 50% oil. Five years after being drilled, this well can produce clean natural gas at approximately 500,000 cubic feet per day. Fremont has also drilled several wells in the Pierre formation that have been shut in to avoid uneconomic flaring of gas.

The management team continues to progress negotiations with respect to its first long term gas sales agreement and is also concurrently assessing other ways to monetise Pathfinder's large contingent gas resource.

### **Cost reductions implemented to achieve cash flow break even**

In December, Fremont implemented cost reduction measures to ensure that monthly operating costs will be covered by revenues generated by oil sales. In total US\$46,216 per month in costs were stripped out of the Company. This process has continued and further reductions have been identified.

This program is in-line with Fremont's focus of returning the Company to a cash flow positive position in the short term and, ensuring it is well positioned to achieve profitability as production increases.

### **Events subsequent to the half**

In February, Fremont appointed oil & gas executive Mr. Sam Jarvis as a Non-Executive Director. He has held senior roles with leading global oil & gas drilling companies and his experience in commercial management and oil & gas development drilling will be valuable to Fremont.

## FREMONT PETROLEUM CORPORATION LIMITED DIRECTORS' AND ACTIVITIES REPORT (CONTD.)

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Since the beginning of calendar 2018, management has been working diligently to maximise current oil production and revenues from the Company's North American assets.

Daily production is currently between 80–90 Bopd and fluctuating due to some wells being temporarily shut in because of weather conditions. However, current milder weather conditions are allowing the Company's engineers to bring these wells back into production.

With additional work overs, the Company anticipates reaching production of +100 Bopd in the near term. At US\$60.00/bbl. of oil, this equates to US \$105,000 per month of net revenue to FPL (Royalties, Haulage and taxes have been deducted) Once this is achieved, and Fremont is cash flow positive, further field development and development drilling will be planned to grow production levels.

The Board and Management are as committed as ever to seeing the successful execution of the development of its Pathfinder project, returning value to its loyal shareholders and a look forward to a successful 2018.

Fremont is now much better placed to unlock Pathfinder's value and capitalise on its oil and gas reserves. The more predictable Niobrara Formation is the Company's key focus moving forward.

On the back of US Government policy which is leading to significant stimulus in infrastructure spending and with the deregulation in energy policy, Fremont is well positioned.

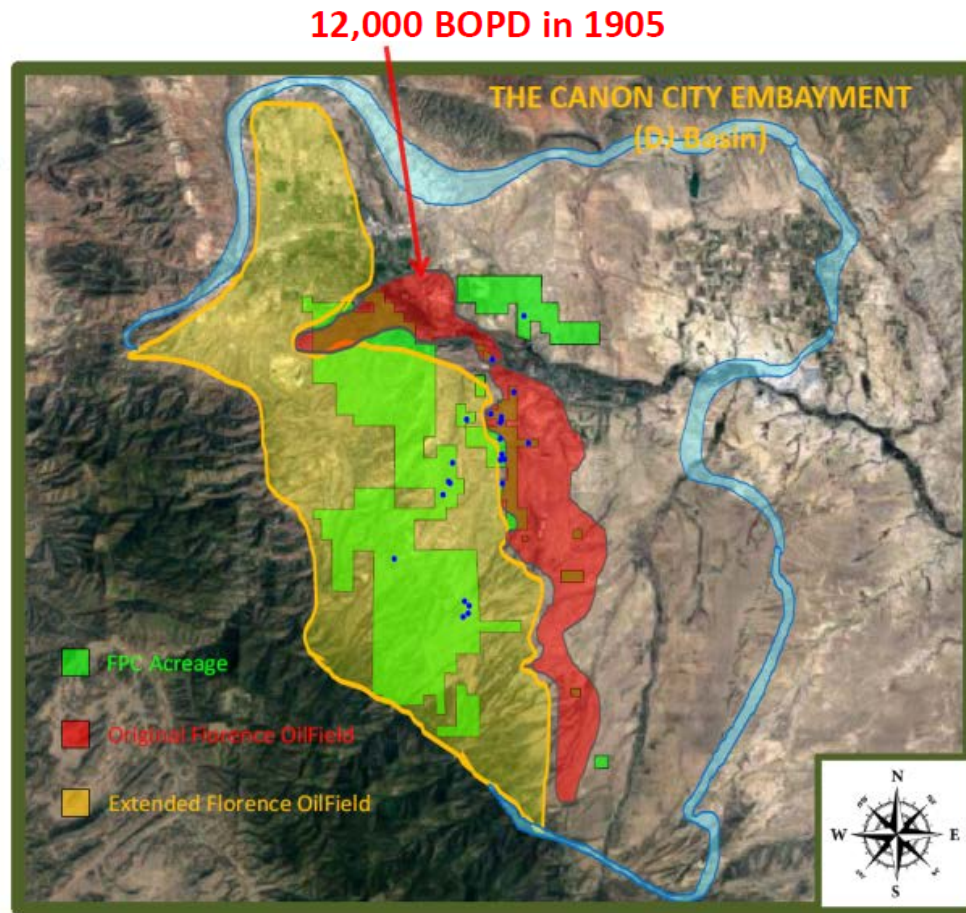
### **Pathfinder Project:**

- 100% 16,798-acre Oil and Gas Property, Denver Julesburg Basin.
- FPL is the Operator of this project.
- 26 oil and gas wells.
- Primary Objectives: Niobrara & Pierre Shale Formation.
- Secondary Objectives: Greenhorn, Codell and Grenaros formations.



## FREMONT PETROLEUM CORPORATION LIMITED DIRECTORS' AND ACTIVITIES REPORT (CONTD.)

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### **Green Section (FPL Current Acreage Position) – 16,798 acres**

- NPV10 Proved & Probable (1P + 2P) = US\$14,397,000 (not a market valuation).
- 26 producing oil wells – shown in blue.
- Approx. US\$70,000/mo production revenue @ US\$45/barrel WTI.

### **Red section – Discovered late 1800's – 15,000 acres**

- Has produced 16 Million+ barrels.
- Max. Production 12,000 BOPD – early 1900s.
- From 2008-2011 technology was applied -> 1,400 BOPD.

### **Yellow section (field extension target) – 40,000 acres**

- Very little development.
- Property reserved for gold and coal mining for 150 years.
- FPL – first to secure oil and gas rights.
- Testing proves that larger oil reserves in place as the field moves East to West.

# FREMONT PETROLEUM CORPORATION LIMITED DIRECTORS' AND ACTIVITIES REPORT (CONTD.)

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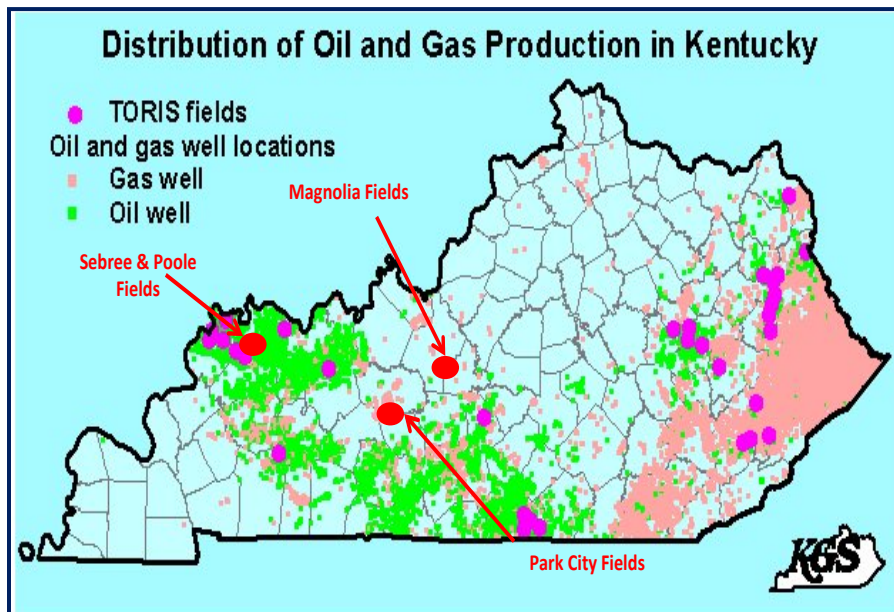
## Kentucky Oil and Gas Property

***Kentucky Exploration LLC is a 50/50 Joint Venture with a private Australian Investment Company***

- Primary Hydrocarbon targets: Jackson Formation, Cyprus Formation, Niagara Sand, and McCloskey Formation.

## Current Operations:

- Leases with high operational expenses and high-water haulage, electricity and chemical programs have been put on idle until the price of oil recovers.
- Low-cost, shallow, high-impact drilling program in Kentucky provides an excellent source of low-risk and long-life production, and cash flow, for the Company.



The above map illustrates Fremont Petroleum Corporation's leases in Kentucky.

## WORKPLACE AND ENVIRONMENTAL SAFETY

The Company places significant emphasis on the safety of all of its people, from its own employees to external contractors at its well sites. It is mandatory that the Company's staff attend quarterly safety sessions at its headquarters in Florence Colorado as well as several OSHA safety programs that are held throughout the year.

The Company is proud that it maintains an impeccable safety record with only one Lost Time Accident occurring in its 10 years of operations, and an unblemished environmental record with no phase-1 incidents ever having been recorded.



# FREMONT PETROLEUM CORPORATION LIMITED DIRECTORS' AND ACTIVITIES REPORT (CONTD.)

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## **INDEPENDENT CONSULTANT'S ANALYSIS**

### **Gustavson Associates**

Gustavson Associates LLC (the Consultant) was retained by Fremont Petroleum Corporation Limited to prepare a Report regarding the reserves and resources underlying acreage positions owned by Fremont<sup>1</sup> in the states of Colorado and Kentucky. This Report is limited to a report on these properties' oil and gas reserves and resources underlying the acreage position. This Report does not attempt to place a Market Value thereon. The effective date of this Report was February 1, 2017. Estimates in this report have been prepared according to the VALMIN standards, which rely on the definitions found in the Petroleum Resources Management System.

### **Summary of Colorado Oil and Gas Reserves and Economics:**

The Summary tables of the analysis are as follows (M = 1,000, MM = 1,000,000, BCF = Billion Cubic Feet, P = Probability, P90 = 90% probability):

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<sup>1</sup>Austin Exploration changed name to Fremont Petroleum

**FREMONT PETROLEUM CORPORATION LIMITED  
DIRECTORS' AND ACTIVITIES REPORT (CONTD.)**

**Summary of All Reserves and Resources**

**Summary of Reserves and Projected Cash Flow**

Reserves Category	Net Oil, Mbl	Net Gas, MMCF	Net Present Value, thousands of US\$	
			0%	10%
<b>Original Austin Acreage</b>				
Proved Developed Producing	33.28	0.00	574.14	440.91
Proved Developed Non-Producing	5.87	0.00	143.16	128.76
<b>Total Proved (1P)</b>	<b>39.15</b>	<b>0.00</b>	<b>717.30</b>	<b>569.67</b>
Probable Developed Non-Producing	24.54	464.01	1,820.13	985.71
Probable Undeveloped	1,152.84	0.00	23,278.44	9,685.07
<b>Total Probable</b>	<b>1,177.38</b>	<b>464.01</b>	<b>25,098.57</b>	<b>10,670.78</b>
<b>Total Proved + Probable (2P)</b>	<b>1,216.53</b>	<b>464.01</b>	<b>25,815.87</b>	<b>11,240.45</b>
Possible Developed Non-Producing	55.57	0.00	1,969.52	1,450.93
<b>Total Proved + Probable + Possible (3P)</b>	<b>1,272.10</b>	<b>464.01</b>	<b>27,785.39</b>	<b>12,691.38</b>
<b>Incremental Acquisition</b>				
Proved Developed Producing	119.19	0.00	2,891.28	1,773.95
Proved Undeveloped	168.93	0.00	3,433.40	1,382.56
<b>Total Proved</b>	<b>288.12</b>	<b>0.00</b>	<b>6,324.68</b>	<b>3,156.51</b>
<b>Combined Acreage</b>				
Proved Developed Producing	152.47	0.00	3,465.42	2,214.86
Proved Developed Non-Producing	5.87	0.00	143.16	128.76
Proved Undeveloped	168.93	0.00	3,433.40	1,382.56
<b>Total Proved (1P)</b>	<b>327.27</b>	<b>0.00</b>	<b>7,041.98</b>	<b>3,726.18</b>
Probable Developed Non-Producing	24.54	464.01	1,820.13	985.71
Probable Undeveloped	1,152.84	0.00	23,278.44	9,685.07
<b>Total Probable</b>	<b>1,177.38</b>	<b>464.01</b>	<b>25,098.57</b>	<b>10,670.78</b>
<b>Total Proved + Probable (2P)</b>	<b>1,504.65</b>	<b>464.01</b>	<b>32,140.55</b>	<b>14,396.96</b>
Possible Developed Non-Producing	55.57	0.00	1,969.52	1,450.93
<b>Total Proved + Probable + Possible (3P)</b>	<b>1,560.22</b>	<b>464.01</b>	<b>34,110.07</b>	<b>15,847.89</b>

**Summary of Kentucky Oil and Gas Reserves and Economics**

Reserves Category	Net Oil, MBbl	Net Gas, MMCF	Net Present Value, thousands of US\$ Discounted at	
			0%	10%
Proved Developed Producing	31.69	0.00	745.01	529.58

## FREMONT PETROLEUM CORPORATION LIMITED DIRECTORS' AND ACTIVITIES REPORT (CONTD.)

### Summary of Colorado & Kentucky Oil and Gas Contingent Resources

The summary tables of the analysis are as follows (M = 1,000, MM = 1,000,000, BCF = Billion Cubic Feet, P = Probability, P90 = 90% probability):

**Summary of Gross Contingent Resources**

	P <sub>90</sub> (1C)	P <sub>50</sub> (2C)	P <sub>10</sub> (3C)
<b>Original Austin Acreage</b>			
Niobrara			
Contingent Oil Resources, MMBbl	15.5	22.4	27.1
Contingent Gas Resources, BCF	187.4	246.6	291.6
Pierre			
Contingent Oil Resources, MMBbl	15.0	19.1	23.7
Kentucky			
Contingent Oil Resources, MMBbl	0.3	0.5	0.7
Contingent Gas Resources, BCF	0.1	0.1	0.2
<b>Total Contingent Oil Resources, MMBbl</b>	<b>30.8</b>	<b>42.0</b>	<b>51.5</b>
<b>Total Contingent Gas Resources, BCF</b>	<b>187.5</b>	<b>246.7</b>	<b>291.8</b>
<b>Incremental Acquisition</b>			
Niobrara			
Contingent Oil Resources, MMBbl	2.7	3.3	4.0
Contingent Gas Resources, BCF	33.2	38.5	44.8
Pierre			
Contingent Oil Resources, MMBbl	1.4	1.7	2.1
<b>Total Contingent Oil Resources, MMBbl</b>	<b>4.1</b>	<b>5.0</b>	<b>6.1</b>
<b>Total Contingent Gas Resources, BCF</b>	<b>33.2</b>	<b>38.5</b>	<b>44.8</b>
<b>Combined Acreage</b>			
<b>Total Contingent Oil Resources, MMBbl</b>	<b>34.9</b>	<b>47.0</b>	<b>57.6</b>
<b>Total Contingent Gas Resources, BCF</b>	<b>220.7</b>	<b>285.2</b>	<b>336.6</b>

### **AUDITOR'S DECLARATION**

The auditor's independence declaration as required under section 307C of the corporations Act 2001 is set out on page 12 of the financial report.

Signed in accordance with a resolution of the Board of Directors



Mr. Guy Goudy  
Chairman

Dated this 15<sup>th</sup> day of March 2018

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## Auditor's Independence Declaration to the Directors of Fremont Petroleum Corporation Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Fremont Petroleum Corporation Limited for the half-year ended 31 December 2017. I declare that, to the best of my knowledge and belief, there have been:

- a No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b No contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



B A Mackenzie  
Partner – Audit & Assurance

Melbourne, 15 March 2018

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**FREMONT PETROLEUM CORPORATION**  
**CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER**  
**COMPREHENSIVE INCOME**  
For the half-year ended 31 December 2017

		<b>Consolidated Group</b>	
		<b>31 Dec</b>	<b>31 Dec</b>
	<b>Note</b>	<b>2017</b>	<b>2016</b>
		<b>\$</b>	<b>\$</b>
<b>Revenues</b>			
Revenue	2	366,588	38,071
		<u>366,588</u>	<u>38,071</u>
<b>Expenses</b>			
Lease operating expense		(130,248)	(41,895)
Employee benefits expense		(285,227)	(203,031)
Share based payment expense		(18,250)	(152,925)
Depreciation and amortisation expense		(187,483)	(32,746)
Professional fees		(359,997)	(290,177)
Other expenses		(217,809)	(233,877)
Travel and accommodation expense		(39,853)	(135,797)
Loss on Sale/Disposal of Asset		-	(133)
Loss on Settlement of Asset Retirement Obligation		-	(40,984)
Impairment expense	4	(7,057,850)	(135,768)
		<u>(7,930,129)</u>	<u>(1,229,262)</u>
Joint venture contribution		-	(45,751)
<b>Profit/(Loss) before income tax expense</b>		(7,930,129)	(1,275,013)
Income tax expense		-	-
<b>Profit/(Loss) from continuing operations</b>		<u>(7,930,129)</u>	<u>(1,275,013)</u>
<b>Profit/(Loss) for the period</b>		<u>(7,930,129)</u>	<u>(1,275,013)</u>
<b>Other comprehensive income:</b>			
Exchange rate differences on translating foreign operations		(178,299)	339,866
<b>Total comprehensive income profit/(loss) for the period net of tax</b>		<u>(8,108,428)</u>	<u>(935,147)</u>
Basic earnings per share	9	(\$0.0280)	(\$0.0101)
Diluted earnings per share	9	(\$0.0280)	(\$0.0101)

Notes to the financial statements are included on pages 17 – 24

**FREMONT PETROLEUM CORPORATION**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**As at 31 December 2017**

	Note	Consolidated Group	
		31 Dec 2017 \$	30 June 2017 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		38,571	72,341
Trade and other receivables		74,009	69,415
<b>TOTAL CURRENT ASSETS</b>		<u>112,580</u>	<u>141,756</u>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		225,449	230,536
Development and producing assets	3	1,658,828	1,821,563
Exploration and evaluation assets	3	6,219,220	12,135,764
Other non-current assets		76,854	78,150
<b>TOTAL NON-CURRENT ASSETS</b>		<u>8,180,351</u>	<u>14,266,013</u>
<b>TOTAL ASSETS</b>		<u>8,292,931</u>	<u>14,407,769</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		917,256	838,272
Interest bearing liabilities		832,585	846,625
<b>TOTAL CURRENT LIABILITIES</b>		<u>1,749,841</u>	<u>1,684,897</u>
<b>NON-CURRENT LIABILITIES</b>			
Other long-term liabilities		100,875	98,907
Asset retirement obligations		734,012	709,092
Deferred tax liability		221,596	225,333
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>1,056,483</u>	<u>1,033,332</u>
<b>TOTAL LIABILITIES</b>		<u>2,806,324</u>	<u>2,718,229</u>
<b>NET ASSETS</b>		<u>5,486,607</u>	<u>11,689,540</u>
<b>EQUITY</b>			
Issued capital	6	79,747,702	77,860,457
Reserves		9,318,111	9,478,160
Retained earnings / (Accumulated Losses)		<u>(83,579,206)</u>	<u>(75,649,077)</u>
<b>TOTAL EQUITY</b>		<u>5,486,607</u>	<u>11,689,540</u>

Notes to the financial statements are included on pages 17 - 24



**FREMONT PETROLEUM CORPORATION**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
For the half-year ended 31 December 2017

	<b>Consolidated Group</b>	
	<b>31 Dec 2017</b>	<b>31 Dec 2016</b>
	<b>\$</b>	<b>\$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	358,977	8,373
Payments to suppliers and employees	(1,069,955)	(827,997)
Interest received	232	1,193
Interest paid	(32,583)	(565)
Other operating activities	-	(60,933)
	<u>(743,329)</u>	<u>(879,929)</u>
<b>NET CASH USED IN OPERATING ACTIVITIES</b>		
<b>CASH USED IN INVESTING ACTIVITIES</b>		
Payments for JV Investment	(37,264)	(9,951)
Payments for fixed assets	(25,524)	(16,069)
Payments for exploration expenditure	(958,348)	(2,494,177)
Deposit on acquisition	-	(66,340)
	<u>(1,021,136)</u>	<u>(2,586,537)</u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of borrowings	(100,000)	-
Proceeds from the issue of ordinary shares	2,078,000	3,491,509
Transactions Costs	(250,629)	(498,733)
	<u>1,727,371</u>	<u>2,992,776</u>
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		
Net (decrease) increase in cash held	(37,094)	(473,690)
Cash at beginning of period	72,341	2,050,356
Foreign Currency movement	3,324	(85,335)
	<u>38,571</u>	<u>1,491,331</u>
Cash at end of period	<u>38,571</u>	<u>1,491,331</u>

Notes to the financial statements are included on pages 17 – 24

**FREMONT PETROLEUM CORPORATION**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
For the half-year ended 31 December 2017

	<b>Issued Capital</b>	<b>Performance Rights Reserve</b>	<b>Foreign Currency Reserve</b>	<b>Retained Profits/ (losses)</b>	<b>Total</b>
	<b>\$</b>		<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>BALANCE AT 1 JULY 2017</b>	77,860,457	31,950	9,446,210	(75,649,077)	11,689,540
Issue of share capital	2,224,875	-	-	-	2,224,875
Transaction costs	(337,630)	-	-	-	(337,630)
Performance rights	-	18,250	-	-	18,250
Profit or loss	-	-	-	(7,930,129)	(7,930,129)
Other Comprehensive Income	-	-	(178,299)	-	(178,299)
<b>BALANCE AT 31 DECEMBER 2017</b>	<b>79,747,702</b>	<b>50,200</b>	<b>9,267,911</b>	<b>(83,579,206)</b>	<b>5,486,607</b>
<b>BALANCE AT 1 JULY 2016</b>	73,265,927	-	9,915,798	(71,935,989)	11,245,736
Issue of share capital	3,554,309	-	-	-	3,554,309
Transaction costs	(502,187)	-	-	-	(502,187)
Performance rights	-	90,125	-	-	90,125
Profit or loss	-	-	-	(1,275,013)	(1,275,013)
Other Comprehensive Income	-	-	339,866	-	339,866
<b>BALANCE AT 31 DECEMBER 2016</b>	<b>76,318,049</b>	<b>90,125</b>	<b>10,255,664</b>	<b>(73,211,002)</b>	<b>13,452,836</b>

Notes to the financial statements are included on pages 17 – 24

## NOTES TO THE FINANCIAL STATEMENTS

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### NOTE 1 – BASIS OF PREPARATION

These general purpose financial statements for the interim half-year reporting period ended 31 December 2017 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standards including AASB 134: Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Fremont Petroleum Corporation Limited and its controlled entities (the Group). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2017, together with any public announcements made during the half-year.

Fremont Petroleum Corporation Limited is domiciled in Australia. The consolidated annual financial report of the consolidated entity for the year ended 30 June 2017 is available at [www.fremontpetroleum.com](http://www.fremontpetroleum.com).

The Group has adopted all new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period.

The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the Group's accounting policies and has no effect on the amounts reported for the current or prior periods. The new and revised Standards and Interpretations has not had a material impact and not resulted in changes to the Group's presentation of or disclosure in its half-year financial statements.

### NOTE 2 – REVENUE FOR THE PERIOD

The following revenue items are relevant in explaining the financial performance for the interim period:

GROUP	CONSOLIDATED	
	6 Months Ending 31 December 2017 \$	6 Months Ending 31 December 2016 \$
Sale of oil and gas	366,356	36,878
Interest received	232	1,193
<b>Total</b>	<b>366,588</b>	<b>38,071</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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### NOTE 3 – EXPLORATION, DEVELOPMENT AND PRODUCING ASSETS

#### Movement in Exploration and Evaluation Expenditure Capitalised

	CONSOLIDATED GROUP	
	6 Months Ending 31 December 2017 \$	12 Months Ending 30 June 2017 \$
Balance at beginning of year	12,135,764	7,896,500
Additions	1,288,393	4,527,456
Revenue offset	-	(34,935)
Exchange rate difference	(184,350)	(253,257)
Exploration expenditures written off	(7,020,587)	-
	<b>6,219,220</b>	<b>12,135,764</b>

#### Movement in Development and Producing Assets

	CONSOLIDATED GROUP	
	6 Months Ending 31 December 2017 \$	12 Months Ending 30 June 2017 \$
Balance at beginning of year	1,821,563	33,554
Additions	16,179	1,925,213
Exchange rate difference	(29,865)	(2,545)
Amortisation expense	(149,049)	(134,659)
	<b>1,658,828</b>	<b>1,821,563</b>

### NOTE 4 – IMPAIRMENT CHARGE

At each period end, the Directors' review the carrying values of the company's exploration and evaluation expenditure and development and producing assets to determine whether there is any indication that those assets have been impaired. For those prospects where the Directors believed such an indication existed at period end, they compared the asset's fair value less costs to sell and value in use to the asset's carrying value. Where it was not possible to estimate the recoverable amount of an individual asset, the Directors' estimated the recoverable amount of the cash-generating unit to which the asset belongs.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

The company's exploration and evaluation assets were impaired by \$7,020,587 to \$6,219,220 as of December 31, 2017. This reflects the write down of previously incurred costs related to drilling the Pierre wells, which due to drilling results during the year have been put on hold to pursue other projects which the directors believe will provide increased value to shareholders. The company continues to pursue oil & gas opportunities and if in the future there is found to be an estimable increase in the recoverable value of the Pierre or other projects, then impairments previously recognised may be reversed.

The loan receivable from JV investment Kentucky Exploration LLC was impaired by AUD \$37,263 to \$0 as of December 31, 2017 and by \$197,682 to \$0 as of 30 June 2017, as the Company's joint venture may not be able to repay this loan.

### NOTE 5 – OPERATING SEGMENTS

#### Segment Information

##### (i) Segment Performance

	<b>6 months to 31 December 2017</b>	<b>6 months to 31 December 2017</b>	<b>6 months to 31 December 2017</b>	
	<b>Australia \$</b>	<b>US Subsidiary \$</b>	<b>US Joint Venture \$</b>	<b>Total \$</b>
Total segment revenue	232	366,356	-	366,588
Segment net (loss)/profit before tax	(392,709)	(7,537,420)	-	(7,930,129)
	<b>6 months to 31 December 2016</b>	<b>6 months to 31 December 2016</b>	<b>6 months to 31 December 2016</b>	
	<b>Australia \$</b>	<b>US Subsidiary \$</b>	<b>US Joint Venture \$</b>	<b>Total \$</b>
Total segment revenue	1,192	36,879	-	38,071
Segment net (loss)/profit before tax	(503,848)	(725,414)	(45,751)	(1,275,013)

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

### (ii) Segment Assets

	<b>Australia</b>	<b>USA</b>	<b>Total</b>
	<b>31 December</b>	<b>31 December</b>	<b>31 December</b>
	<b>2017</b>	<b>2017</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Segment Assets</b>	56,950,976	8,231,749	65,182,725
Inter segment elimination	(56,889,794)	-	(56,889,794)
	<b>61,182</b>	<b>8,231,749</b>	<b>8,292,931</b>

	<b>Australia</b>	<b>USA</b>	<b>Total</b>
	<b>30 June 2017</b>	<b>30 June 2017</b>	<b>30 June 2017</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Segment Assets</b>	55,543,799	14,341,073	69,884,872
-Inter segment elimination	(55,477,103)	-	(55,477,103)
	<b>66,696</b>	<b>14,341,073</b>	<b>14,407,769</b>

### (iii) Segment Liabilities

	<b>Australia</b>	<b>USA</b>	<b>Total</b>
	<b>31 December</b>	<b>31 December</b>	<b>31 December</b>
	<b>2017</b>	<b>2017</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Segment Liabilities</b>	137,601	82,649,118	82,786,719
Inter segment elimination	-	(79,980,395)	(79,980,395)
	<b>137,601</b>	<b>2,668,723</b>	<b>2,806,324</b>

	<b>Australia</b>	<b>USA</b>	<b>Total</b>
	<b>30 June 2017</b>	<b>30 June 2017</b>	<b>30 June 2017</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Segment Liabilities</b>	243,212	82,366,471	82,609,683
Inter segment elimination	-	(79,891,454)	(79,891,454)
	<b>243,212</b>	<b>2,475,017</b>	<b>2,718,229</b>



## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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### NOTE 6 – ISSUED CAPITAL

#### Ordinary Shares

	Number	\$
<b>6 months to 31 December 2017</b>		
As at 1 July 2017	195,727,735	77,860,457
Issue of 2,395,000 shares @ \$0.025 per share	2,395,000	59,875
Issue of 48,900,000 shares @ \$0.02 per share	48,900,000	978,000
Issue of 50,000,000 shares @ \$0.02 per share	50,000,000	1,000,000
Issue of 5,000,000 shares at \$0.02 per share	5,000,000	100,000
Issue of 4,350,000 shares at \$0.02 per share	4,350,000	87,000
Less: Costs of Capital Raising	-	(337,630)
At 31 December 2017	<b>306,372,735</b>	<b>79,747,702</b>

	Number	\$
<b>6 months to 31 December 2016</b>		
As at 1 July 2016	1,073,679,902	73,265,927
Issue of 2,500,000 shares @ \$0.004 per share	2,500,000	10,000
Issue of 42,914,142 shares @ \$0.007 per share	42,914,142	300,399
Issue of 220,166,666 shares @ \$0.006 per share	220,166,666	1,321,000
Issue of 31,650,000 shares @ \$0.006 per share	31,650,000	189,900
Issue of 15,000 shares @ \$0.006 per share	15,000	90
Issue of 3,334 shares @ \$0.006 per share	3,334	20
Issue of 24,166,667 shares @ \$0.006 per share	24,166,667	145,000
Issue of 150,000 shares @ \$0.006 per share	150,000	900
Issue of 500,000 shares @ \$0.006 per share	500,000	3,000
Issue of 202,500,000 shares @ \$0.006 per share	202,500,000	1,215,000

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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Issue of 47,500,000 shares @ \$0.006 per share	47,500,000	285,000
Issue of 14,000,000 shares @ \$0.006 per share	14,000,000	84,000
Less: Costs of Capital Raising	-	(502,187)
At 31 December 2016	<b>1,659,745,711</b>	<b>76,318,049</b>

During the six-month period ending 31 December 2017, shares were issued in connection with fundraising and some stock related service invoices were paid in shares.

### Options

	Number
<b>6 months to 31 December 2017</b>	
As at 1 July 2017	80,500,260
- Listed Options	500,000
- Unlisted Options	62,378,717
At 31 December 2017	<b>143,378,977</b>
	<b>Number</b>
<b>6 months to 31 December 2016</b>	
As at 1 July 2016	477,237,129
- Listed Options	144,946,094
- Unlisted Options	48,400,000
At 31 December 2016	<b>670,583,223</b>

### NOTE 7 – RELATED PARTIES

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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### Transactions with Director-related Entities

During the period the Group utilised the services of CFO Colorado Accounting & Tax Services for the provision of accounting and taxation services at commercial rates. To the reporting date the costs of these services was AUD \$111,461.39 excluding GST. Mr. Lonny Haugen is the President of CFO Colorado Accounting & Tax Services.

### NOTE 8 – CONTINGENT LIABILITIES

There has been no material change to contingent liabilities since the last annual reporting date.

### NOTE 9 – EARNINGS PER SHARE & DILUTED EARNINGS PER SHARE

	<b>CONSOLIDATED GROUP</b>	
	<b>31 December 2017</b>	<b>31 December 2016</b>
	<b>\$</b>	<b>\$</b>
Net loss attributed to ordinary equity holders	(7,930,129)	(1,275,013)
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	282,958,740	125,725,658
Basic Earnings per share	<u>(\$0.0280)</u>	<u>(\$0.0101)</u>
Diluted Earnings per Share	<u>(\$0.0280)</u>	<u>(\$0.0101)</u>

The options held by option holders have not been included in the weighted average number of ordinary shares for the purpose of calculating diluted EPS as they do not meet the requirements for inclusion in AASB 133 "Earnings per Share". The options are non-dilutive as the consolidated entity is loss generating.

### NOTE 10 – GOING CONCERN

The financial report has been prepared on the basis of a going concern. The Group had net operating cash outflows for the six months ended 31 December 2017 of AUD \$743,329 and a closing cash position of AUD \$38,571.

The Group's ability to continue as a going concern is contingent upon successfully raising additional capital and successful drilling activities. If the Company is not successful in these matters, the going concern basis may not be appropriate, with the result that the Group may have to realise its assets and extinguish its liabilities, other than in the ordinary course

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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of business and at amounts different from those stated in the financial report. No allowance for such circumstances has been made in the financial report.

The Company advised the market on 26 February 2018 that it had completed an additional placement of AUD \$2M before costs.

The Company has demonstrated the ability to raise capital through equity markets. As such, the Company believes it will be able to raise further capital to fund the Company's ongoing operations.

Significant, proactive progress has been made by management related to implementation of austerity measures throughout the Company. Its goal is to maintain a positive margin regardless of share price.

### NOTE 11 – EVENTS OCCURRING AFTER THE REPORTING DATE

On 26 February 2018, Fremont completed a placement (Placement) of its securities to raise AUD \$2M before costs. The Placement was comprised of the issue of 286,000,000 shares (Placement Shares) to sophisticated and professional investors at \$0.007 per share, together with one free attaching unlisted option for every two shares, exercisable at \$0.02 each on or before 31 March 2020.

Fremont will also undertake Share Purchase Plan (SPP) to raise a maximum of AUD \$500,000 on the same terms as the placement to allow existing shareholders the opportunity to participate. Funds from the Placement and SPP will be used to strengthen the balance sheet, perform field development work to increase oil production, and for general working capital purposes.

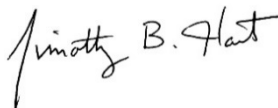
## DIRECTORS' DECLARATION

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The directors of the Group declare that:

1. The financial Statements and Notes, as set out on pages 13 to 24 are in accordance with the Corporations Act 2001,
  - a) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2017, and of its performance for the half year ended on that date; and
  - b) Complying with Accounting Standard AASB 134 "Interim Financial Reporting"; and
2. In the Directors' opinion there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Mr. Timothy B. Hart  
President & Chief Executive Officer  
Dated this 15<sup>th</sup> day of March 2018



Mr. Guy T. Goudy  
Executive Chairman  
Dated this 15<sup>th</sup> day of March 2018

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## Independent Auditor's Review Report to the Members of Fremont Petroleum Corporation Limited

### Report on the Half Year Financial Report

#### Conclusion

We have reviewed the accompanying half year financial report of Fremont Petroleum Corporation Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of Fremont Petroleum Corporation Limited does not give a true and fair view of the financial position of the Group as at 31 December 2017, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial reporting*.

#### Material Uncertainty Related to Going Concern

We draw attention to Note 10 in the financial report, which indicates that the Group incurred net operating cash outflows of \$743,329 during the half year ended 31 December 2017 and, as of that date, the Group's had a closing cash balance of \$38,571. As stated in Note 10, these events or conditions, along with other matters as set forth in Note 10, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

#### Directors' Responsibility for the Half Year Financial Report

The Directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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### **Auditor's Responsibility**

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2017 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Fremont Petroleum Corporation Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Independence**

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



B A Mackenzie  
Partner - Audit & Assurance

Melbourne, 15 March 2018