

## First Quarter Activities Report FY2019



**Oil Collection on the Trumpetfish Well**

For the period ended 30 October 2018  
With additional information on subsequently completed activities

## REVIEW OF QUARTERLY OPERATIONS AND ACTIVITIES

- **Q1 revenue of \$370,885 not including \$103,180 from Kentucky JV (An increase of \$27,046 quarter-on-quarter)**
- **Cash flow positive for the second consecutive quarter**
- **7,920 barrels of oil produced in the quarter – down on prior quarter due to impact of fire bans and some wells being shut in for larger workovers**
- **Full production capacity now restored with daily production averaging approximately 120 BOPD**
- **Pathfinder Field’s Contingent Resources Increased to 540 BCF of Gas & 54 Million Barrels of Oil**
- **Cash at bank increased 55% quarter-on-quarter to \$796,037**
- **\$3.75m raised via a two-tranche Placement to institutional and sophisticated investors at \$0.007 per share**

**Fremont Petroleum Corporation Ltd** is an oil and gas Production and Development Company that is the operator of its 100%-owned 21,500-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 with the Company currently operating 26 oil and gas wells in the field. Independent estimates calculate a 90% probability that Pathfinder contains a resource of 54 million barrels of oil and 540 Billion cubic feet of gas. This independent assessment was completed in August 2018 over a total of 19,500 acres.

Fremont also has an interest in producing oil and gas properties in Kentucky.

The Company’s focus for the past quarter was to prepare for its 2018 drilling program and achieve production efficiencies through a series of well work-overs.

### Improving production and financial performance

Receipts from customers reported in the 5B was \$370,885 up \$27,046 from the previous quarter. This does not include \$103,180 of revenue from the Kentucky JV due to accounting rules on revenue recognition from JVs. As well, Fremont held unsold inventory of 3,505 barrels of oil in the storage tanks at 30 September.

Total production for the September quarter was 7,920 barrels of oil. 5792 barrels were produced in Colorado & 2,128 barrels in Kentucky.

Production for the quarter was impacted by Colorado Bush Fires over the North American summer with multiple shut-in due to phase 2 fire bans. Some more larger well workovers also impacted production.

Production has now been restored and is averaging approximately 120 barrels of oil per day (BOPD) net to Fremont. Approximately 80% of this production is sourced from Colorado and 20% from Kentucky.

Significant workovers have been performed on two horizontal wells, the Pathfinder C11-12 #1HZ and the Oilfish 24-30, and Fremont is encouraged by early production increases from these wells.

Regular well-work operations are ongoing across the field to sustain and enhance daily production.

Cash at bank as at 30 September 2018 was \$796,037. The Company was operationally cash flow positive for Q4 by \$5,623 (revenue – production, staff and G&A expenses).

The Company was pleased to complete a two-tranche placement of its securities to raise AUD\$3.75 million (before costs) to advance the development of its Pathfinder property.

### **Significantly Increased Oil and Gas Resources & Reserves**

An update of Fremont's independently compiled oil and gas Resources & Reserve report was also published in the quarter.

The P90 gas resource increased by 145% to 540 BCF (.54 TCF) and the oil resource up 55% to 55 million barrels.

It is important to note that as the Pathfinder property is developed, contingent resources are expected to move in to the reserves category.

However, a key highlight was Gustavson's assessment that the Pathfinder Field's geology is comparable to Colorado's prolific Wattenberg Field.

Based on comparable well logs in the Pathfinder and Wattenberg Fields, the Niobrara, Codell, and Greenhorn Formations appear to be similar in character in both areas. The report illustrates that the physical properties of the Niobrara Formation are similar between the two areas indicating potentially similar production performance.

The report was completed by Gustavson Associates in accordance with the VALMIN Code promulgated by the Australasian Institute of Mining and Metallurgy, and as specified in the VALMIN Code, the reserves and resources definitions found in the Petroleum Resources Management System (PRMS).

A table with the updated Resource and Reserve calculations can be found below in the Independent Consultant Analysis section.

## **Gas operations and sales negotiations**

It is clear that the Pathfinder field contains a large amount of natural gas and significant oil.

The Company is working diligently to secure a gas sales channel for the gas being produced at the Pathfinder property. The Company is in the final negotiation stages for a long-term gas off-take agreement with a large, industrial Company with large-scale manufacturing operations.

Further, the Company has lodged an Interconnection Request with Kinder Morgan for access to a 6.625-inch natural gas pipeline that traverses the northernmost extension of the Pathfinder Field.

This is a Federal Energy Commission "FERC" regulated pipeline that is part of the ~7,000km Colorado Interstate Pipeline system. The connection allows Fremont to access customers not just in Colorado, but extend sales into the Midwest, Southwest, California and Pacific Northwest.

The Company intends to fund the construction of all infrastructure with bank debt supported by US Government backed guarantees. The Pathfinder Field is situated in a rural area that meets the requirements for loan guarantees provided by the U.S. Department of Agriculture 'USDA'. These cover up to 80% of the loan amount for establishing a project valued under US\$5 million and max out at a guarantee of 60% for a valuation of \$25 million.

Fremont is working with the USDA on potential financing. The first step is to undertake an environmental feasibility impact study on the proposed pipeline route. The Company has engaged an environmental company in Colorado for this report.

Fremont's has commenced the tendering for the construction of a 10-mile pipeline to the Colorado Interstate connection point and for the supply and installation of gas gathering equipment. Fremont is also working with the local county and regulators on land access and permitting.

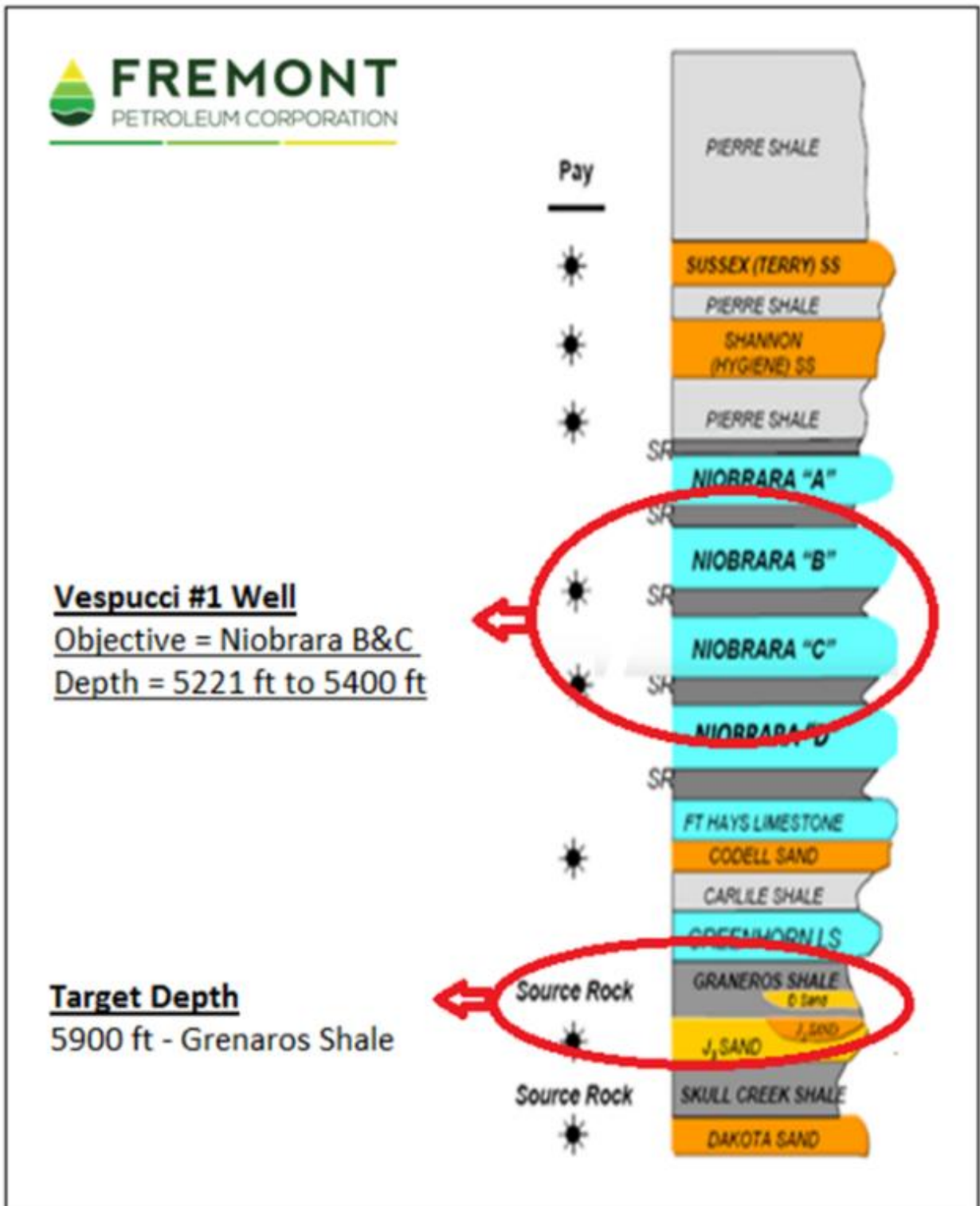
## **Outlook and objectives for this quarter**

The Company's objectives for the quarter are:

- Drill two wells targeting oil and gas production from the Niobrara Formation.
- Be cash flow positive for the quarter – control costs & maximise oil revenues.
- Progress gas sales negotiations and advance the pipeline build program.

### Vespucci #1 & Powell #1 Wells:

The Vespucci #1 & Powell #1 wells will be drilled as vertical wells and are targeting production from a multi stage fracture stimulation in the B and C Benches of the Niobrara Formation. The wells have been planned to reach their target depth at approximately 5,900 feet (see diagram below).



Drilling success will confirm the recently completed Gustavson Associates Independent reserves and resources report that highlighted that the Niobrara Formation at Pathfinder property is analogous (similar) to Colorado's Wattenberg Field.

The Vespucci #1 & Powell #1 wells will also test the Pierre Formation, which sits above the Niobrara, and has produced more than 16 million barrels of oil in the adjoining acreage.

The Pathfinder Field is a stacked-pay field, i.e. one where several hydrocarbon-bearing zones are intersected before the well reaches target depth of 5,900 feet.

The Company was pleased to secure a leading, globally recognised oilfield services company to fracture stimulate and complete the Vespucci #1 and Powell #1 wells. The contractor also has considerable expertise in fracture stimulating and completing Niobrara Formation wells. Contractual terms prevent Fremont from disclosing the name of the contractor until after completion of Vespucci #1.

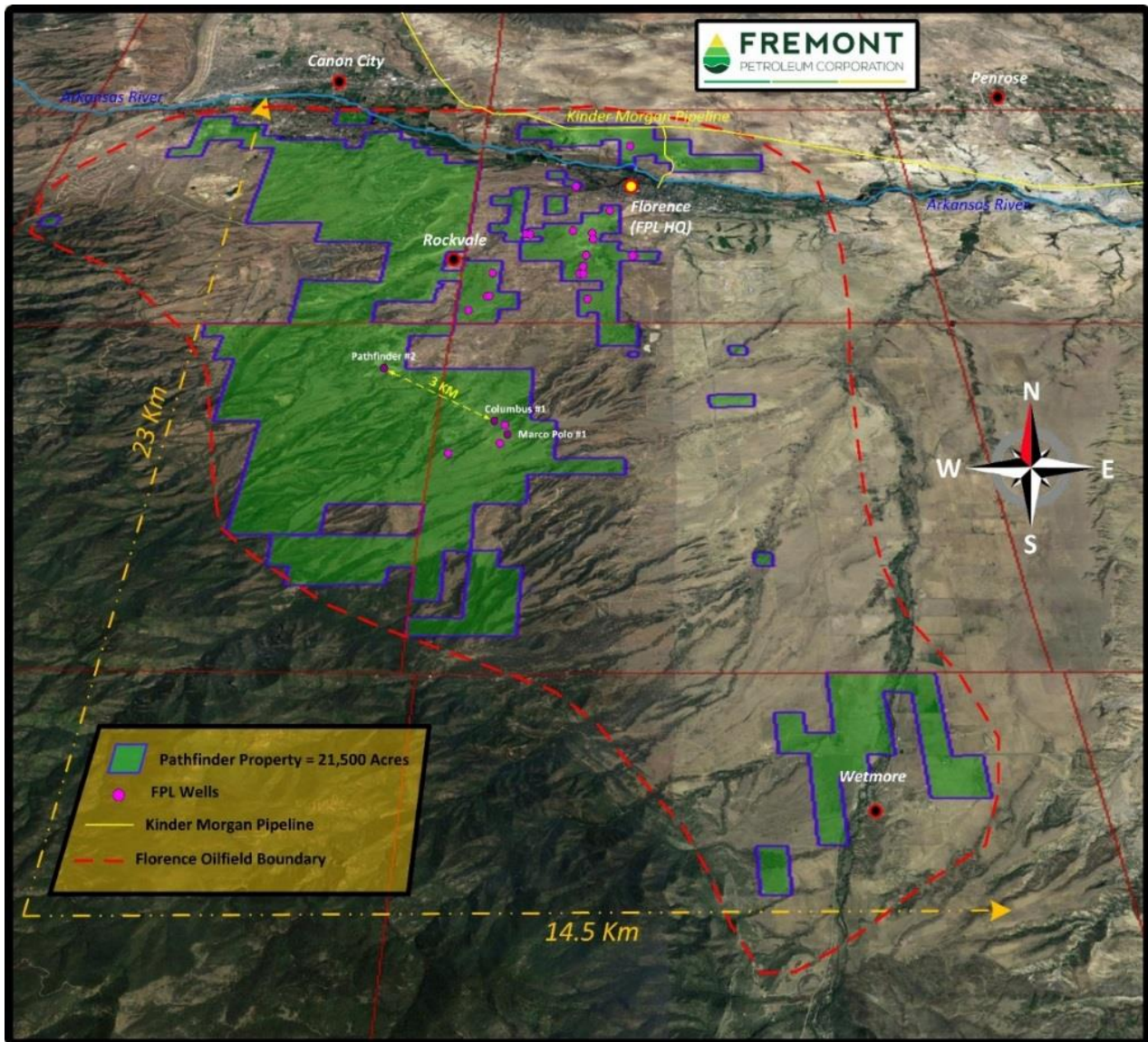
Following minor delays, drilling is expected to commence in November once final drilling permits have been issued by the State of Colorado.

The Company looks forward to providing drilling updates over the next three months and production success with these two wells.



## **PATHFINDER PROJECT – FREMONT COUNTY COLORADO**

- 100% 21,500-acre Oil and Gas Property, Denver Julesburg Basin. (1,660 acres under option)
- Fremont is the Operator of this project.
- 26 oil and gas wells.
- Primary Objectives: Niobrara & Pierre Shale Formation.
- Secondary Objectives: Greenhorn, Codell and Grenaros formations.



**Pathfinder Property – 21,500 acres**

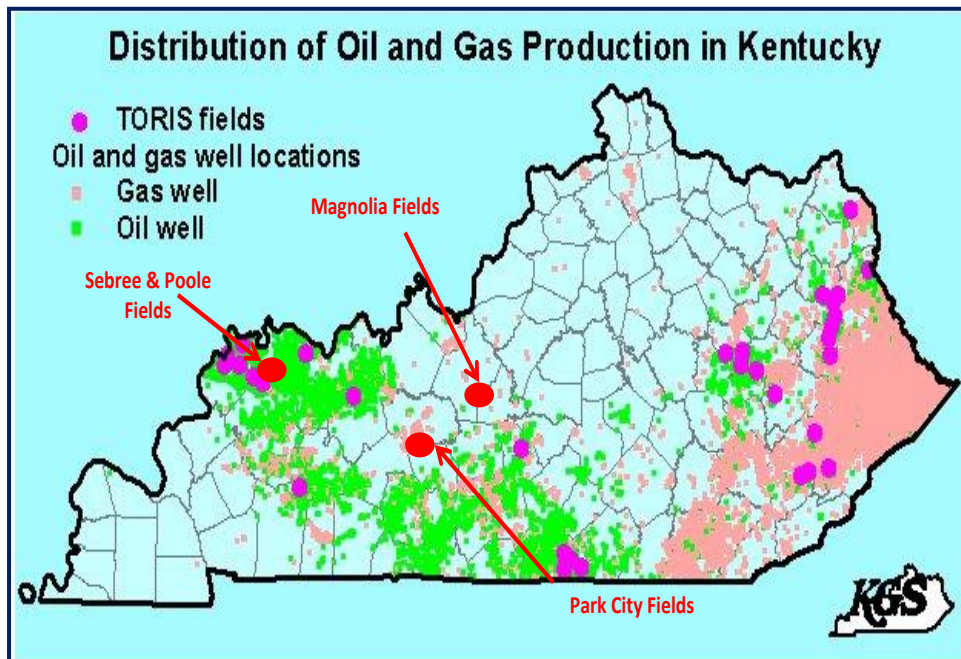
## KENTUCKY OIL AND GAS PROPERTY

### **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 additional 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 is pleased to report that no lost time safety accidents or phase 1 environmental incidents occurred over the past quarter.

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.



## 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 Austin 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 2018 Gustavson report is dated August 6 with an effective date of May 1. 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 Oil and Gas Resources

	P <sub>90</sub> (1C)	P <sub>50</sub> (2C)	P <sub>10</sub> (3C)
Niobrara			
Contingent Oil Resources, MMBbl	25.4	31.4	38.1
Contingent Gas Resources, BCF	312	366	425
Pierre			
Contingent Oil Resources, MMBbl	20.7	25.6	31.3
Contingent Gas Resources, BCF	79.2	102.2	129.7
Greenhorn			
Contingent Oil Resources, MMBbl	7.6	16.3	35.0
Contingent Gas Resources, BCF	149	196	253
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>54.0</b>	<b>73.9</b>	<b>105.1</b>
<b>Total Contingent Gas Resources, BCF</b>	<b>540</b>	<b>664</b>	<b>808</b>

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 Oil and Gas Reserves and Economics**

Reserves Category	Net Oil Reserves (MBO)	Net Gas Reserves, MMcf	Net Present Value, Millions of US\$ Discounted at	
			0%	10%
Proved Developed Producing (P1)				
Colorado	157.81	0.00	\$4.37	\$3.03
Kentucky	17.03	0.00	\$0.31	\$0.26
Total	174.84	0.00	\$4.69	\$3.29
Proved Undeveloped	169.58	0.00	\$3.41	\$1.80
<b>Total Proved</b>	<b>344.42</b>	<b>0.00</b>	<b>\$8.10</b>	<b>\$5.08</b>
Probable Developed Non-Producing (P2)	32.65	1,166.07	\$3.69	\$1.86
Probable Undeveloped	1,135.10	0.00	\$21.59	\$10.24
<b>Total Proved plus Probable</b>	<b>1,512.17</b>	<b>1,166.07</b>	<b>\$33.37</b>	<b>\$17.18</b>

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