

## First Quarter Activities Report FY2018



**Bird #13-18 Well – Fremont County, Colorado**

For the period ended 30 September 2017  
With additional information on subsequently completed activities

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## QUARTERLY HIGHLIGHTS

- **Bird #13-18 well successfully drilled to target depth in current quarter**
- **Three productive oil zones confirmed from mud-logs reported this month totalling 729 feet (222 metres)**
- **Company completed farm-out to test deep oil and gas Greenhorn Formation on C11-12 Pathfinder Well**
- **Fremont is 100% carried on Radial Jet drilling costs of the C11-12 Pathfinder well for a 5% interest**
- **Independent Petrophysical analysis estimates the Greenhorn Formation over the Pathfinder Property contains 9.53 million barrels of oil per square mile – the Pathfinder Property is 26.25 square miles in total**

## REVIEW OF QUARTERLY OPERATIONS AND ACTIVITIES

**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-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.

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, the Company has experienced only one lost-time accident and zero environmental incidents.

The past quarter was a busy and constructive period for the Company, with the drilling of the Bird #13-18 well and the commencement on work to test the Greenhorn formation through its farm-out with Capillary Energy Services LLC. An extensive amount of work has also been conducted on the wells gained through the Company's acquisition of Incremental Oil and Gas (Florence) LLC. This work is being conducted to ensure maximum well performance over the long term.

In the current quarter, the Company was pleased to intersect crude oil during the drilling of the Bird #13-18 well that are targeting production.

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Oil was evidenced in the pits throughout the lower section of the Pierre formation, with extensive fracturing encountered whilst drilling throughout the lower 500 feet of the well.

Upon completion of drilling, the cuttings from the well were analysed by an independent geologist. The purpose being to confirm the fracture zones within the well that are producing crude oil. In this process, cuttings from the well are analysed to identify oil that has been impregnated into the shale rock formation.

Within the lower 2,000 feet of the Pierre section three productive zones were confirmed. In total, the three oil zones producing oil from natural fractures total 729 feet (222 metres).

The maximum oil level recorded in the well-bore was 1,963.19ft with a calculated pressure on the formation of approximately 865psi.

This oil discovery confirms an extension over the Western flank of the Florence Field. Approximately 16 million barrels have been produced on the Eastern flank of the Florence Field.

Minimal drilling has taken place on Fremont's 17,000-acre Pathfinder project and the Company believes that the majority of the oil reserves are in virgin territory and remain in-place.

This oil discovery confirms that Fremont's combination of applying highly-advanced geophysics (3D seismic) and geochemistry (molecular hydrocarbon analytics of soil samples) has been successful in locating oil-filled fractures in the Pierre formation.

Importantly, this process is repeatable over Fremont's 17,000-acre Pathfinder property.

Completion operations continue as the fluid levels and bottom-hole pressures in the well are yet to stabilise.

Fremont's engineers are monitoring and engineering the well constantly to effectively complete the well and place it in to production.

The Company was also pleased to reach a farm-out agreement with Capillary Energy Services LLC of Colorado to re-enter the C11-12 Pathfinder well and to test a yet to be explored formation, the Greenhorn Formation.

Under the agreement, Capillary Energy Services will fund the 100% of the costs of re-entering the C11-12 Pathfinder well, and in the event of a commercially productive well, Capillary Energy will receive a 5% net revenue interest.

Fremont is pleased to partner with Capillary Energy, which is applying a new drilling technology, Radial Jet Drilling, for the first time in Colorado. This technology will be used in the testing phase, and has been successful in numerous oil and gas formations across North America.

Under the agreement, Capillary Energy will drill eight 500ft horizontal legs in to the Greenhorn Formation to test for the presence of oil. Each horizontal leg will be equally spaced around the

circumference of the well, thus accessing approximately 4,000 horizontal feet of the Greenhorn formation.

The Company has engaged Digital Formation Inc, an independent Denver-based geological and petrophysical firm, to conduct a petrophysical analysis of the extensive electronic logging data that was obtained on the Greenhorn formation during the drilling of the C11-12 Pathfinder well in 2012.

Digital Formation's analysis estimates the Greenhorn Formation over the Pathfinder Property may contain up to 9.53 million barrels of oil in place per square mile. The Pathfinder Property is 26.25 square miles in total.

Operations were temporarily halted to allow for 24-hour drilling operations and for completion of the Bird #13-18 well. The Company expects operations to recommence in November and looks forward to the results of this drilling program and gaining further knowledge of the Greenhorn formation.

The Company continues to pursue a sales channel for the gas being produced in this field as a gathering system is not present in this Florence Field. Progress has been made in this regard and progress of a material nature will be reported if and as it occurs. The Company's Pathfinder C#11-12, Marco Polo #1 and Columbus wells remain shut-in to prevent wastage of gas reserves and avoid uneconomic flaring of gas.

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

## **REVIEW OF OPERATIONS AND ACTIVITIES**

### **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: Pierre Shale Formation.
- Secondary Objectives: Greenhorn, Niobrara, Codell and Grenaros formations.

### **Current Operations:**

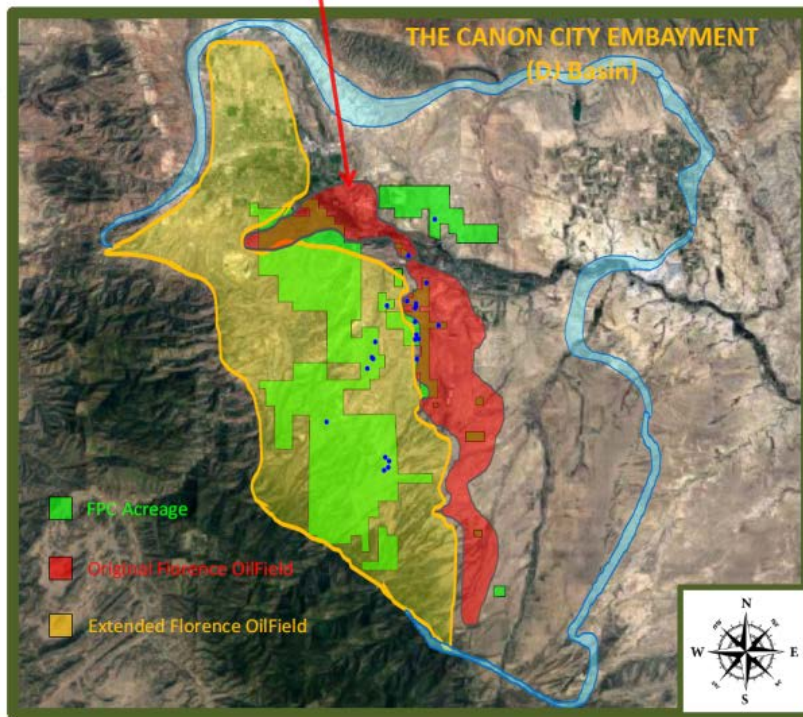
#### **Bird #13-18 well**

- Drilled successfully to target depth in October.
- In total, the three oil zones producing oil from natural fractures were identified on the mud logs totalling 729 feet (222 metres).
- The maximum oil level recorded was 1,963.19ft (598 metres) with a calculated pressure on the formation of approximately 865psi .

### Pathfinder C11-12 re-entry program

- Farm-out with Capillary Energy Services LLC to test the Greenhorn formation.
- Capillary energy services funding drilling costs in exchange for a 5% Net revenue Interest in the well.
- Radial jet drilling technology is being applied, which is a first in the State Of Colorado.
- Operations expected to recommence in November.

**12,000 BOPD in 1905**



### 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.

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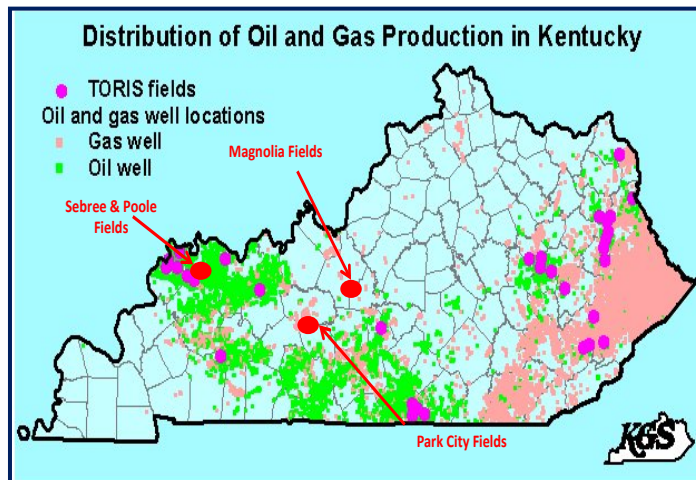
## Kentucky Oil and Gas Property

***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.

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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 (formerly 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 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):

#### Summary of All Reserves and Resources

Summary of Reserves and Projected Cash Flow

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

**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><br>(1C) | P <sub>50</sub><br>(2C) | P <sub>10</sub><br>(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>            |