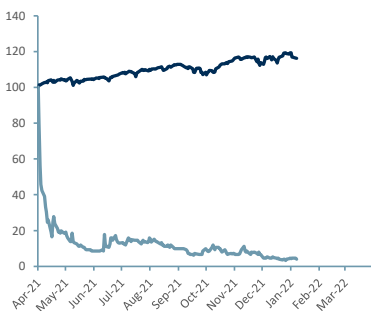


BRIEFING NOTE

52 Wk. Lo/Hi

0.0004-0.0149



FTXP (lighter line) S&P 500 market vs price relative

Monday, 04 April 2022

Close Price	0.0004
52 wk Range Low	0.0004
52 wk Range High	0.0149
MCAP (m)	\$4.33
EV (m)	\$9.53
Index: Public	OTC
Financial YE	31-Dec
Currency	USD

Business Activity

Mining E&P

Key Metrics

Gross debt (m)	\$6.56
Cash (m)	\$1.36
Net Debt (Cash) (m)	\$5.20
Net Operating Cash (m)	-\$1.46
Revenue (m)	\$2.34
Net Income (loss) (m)	-\$16.05

Key Ratios

(Net Cash) / Shareholder Equity %	120.13%
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Mining Sector Research

OTC Market Index

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Foothills Exploration Inc.

Core Investment Case

Foothills Exploration Inc. (OTCPNK:FTXP) is a development stage oil, gas and renewables company. FTXP has an integrated energy transition strategy, which 1) fuels the needs of today via oil and gas (O&G) operations and; 2) leverages the needs of tomorrow via its planned hydrogen fuelling & EV charging and retail operations. Foothills' principal hydrocarbon asset is located in the Wind River Basin, Wyoming, and comprises 18,887 acres of highly prospective development acreage (~21m bbl). Foothills' New Energy Ventures division is investing in the market for hydrogen as a fuel (aiming to create a retail hydrogen brand in conjunction with O&G retail assets) and eventually adding EV charging stations. A possible strategic extension is the development of geothermal assets.

- Development stage oil & gas company with green energy expansion;
- 3-phase approach for retail O&G + hydrogen as a fuel; + EV assets;
- Principle asset prospective for ~21m bbl of oil;
- Cash & CE at \$1.361m as of 30 Sep 2021.

USD (m)	MCAP	EV	RoA %	RoE %	NCO	Levered FCF
2021	4.33	9.53	-14.41%	N/A	-1.1	-0.8

Multiples	EV/ Revs	P/S	Trail PE	BV/ Share	P/ B	Current
2021	0.19x	0.01x	N/A	0.00	N/A	0.01x

Investment Case

Integrated future energy transition strategy – Foothills is an oil & gas explorer moving into the green energy space using a fully integrated transition process underpinned by an M&A ‘rollup’ of fuelling station networks. FTXP is planning to provide gasoline to hydrogen fuel to electric charging for vehicular transport. Beyond these projects there is potential to develop geothermal opportunities. The underlying demand drivers are net-zero emission fuels, electric vehicle sales and the capital flows focus on ESG.

Highly prospective O&G assets – FTXP’s principal asset (known as Beaver Creek East Project) spans over 18,887 acres and is located in the Wind River Basin, Wyoming, which is a proven region for oil & natural gas production. A third-party engineering report on the Beaver Creek East Project, indicates prospective resources of 21m barrels of undiscovered oil, with a PV-10 value of \$372m. The company’s Uinta Basin, its newly acquired Illinois Basin operator, and planned acquisitions of additional nodding donkeys are forecasted to yield ~4-500 bpd by the end of 2022. The nodding donkeys require low investment and deliver immediate predictable production and so revenues.

Opportunistic M&A: The acquisition of existing retail gas stations will provide Foothills with a pre-existing fuel supply and license agreements. FTXP will improve the assets by adding hydrogen fuelling, EV charging and dining franchises, where these are not already in place (electric charging takes longer).

Green energy expansion extension: Via its subsidiary New Energy Ventures, Foothills is re-positioning its portfolio by adding green energy to take advantage of the drive towards net-zero emissions. New Energy Ventures plans to acquire low-carbon technologies including blue/green hydrogen production, oilfield clean-tech and deep geothermal exploration.

Proven management team: Foothills is led by a strong management team with proven expertise in petroleum engineering, geology, geophysics and operations. The team boasts a deep level of experience in the US Rocky Mountain region. The Executive Chairman, Kevin Sylla has 10+ years of experience in managing oil & gas field operations.

Catalysts

Acquisition of new oil & gas assets; encouraging results from Phase 2 geochemical survey; demand for EV vehicles; demand for green energy; expansion via M&A into the retail gas station market and green energy fuelling.

Operational Strategy

Principle current assets - Foothills' principle carbon energy asset is Wind River Basin, Wyoming. However, FTXP also holds 5,700+ acres in the Uinta Basin, Utah. Uinta is proven producing province and may well have significant by-passed oil resources. **FTXP is evaluating other high-quality oil & gas assets in the Rocky Mountain region in the US.** The Rocky Mountains are considered to run through the US states of Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, and Wyoming

The expansion of the Foothills' strategy into other energy sources (Hydrogen (H) fuel and EV charging) appears logical and leverages management's skills and energy markets knowledge base.

Hydrogen – is considered a 'clean' reliable alternative to O&G because of its energy density and because it produces only H₂O as a waste product during combustion in a fuel cell.

Investor appeal - The so-called hydrogen economy has a strong appeal to investors and a very strong future growth profile. The provision of electric charging stations is a logical operational, brand and revenue addition.

Vertical integration - via the acquisition of networks of fuelling stations. Foothills will add additional value to the fuelling stations. The acquisition of fuelling stations is a tried and tested energy company pathway that ordinarily delivers enhanced EBITDA and Free Cash Flow (FCF).

Balanced portfolio - Foothills aims to build a balanced portfolio of assets made up of **both** the traditional energy basket (crude oil & natural gas) and new energy solutions (hydrogen, electric charging and geothermal).

In the near-term, Foothills intends to expand its portfolio of oil & gas assets. This is a rational and investor centric approach given that hydrocarbons will continue to play a significant role in the global energy mix for the next two to four decades, as the world transitions to low-carbon fuels.

In the medium-term the company will, in our view, pursue a 3-phase approach to executing its integrated oil & gas to renewables strategy:

- Phase 1: Acquisition of retail O&G stations
- Phase 2: Incorporate hydrogen refuelling in existing O&G retail assets
- Phase 3: Add EV charging stations and dining franchises to retail assets

We have distilled the oil & gas to renewables strategy into four asset classes:

Oil & Gas (Wind River Basin + Uinta + nodding donkeys): Foothills is developing the Wind River Basin of Wyoming, consisting of over 18,887 acres of highly prospective development acreage (probable 21m bbl oil). It is currently conducting phase 2 of the ongoing geochemical survey.

The goal is to begin a four-well drilling program to develop the acreage. As described above Uinta may add additional bbl and the nodding donkeys' program will add immediate cash flow.

Hydrogen: Foothills is targeting a portfolio of hydrogen projects. Hydrogen is becoming increasingly popular as an alternative fuel to meet global net-zero emission targets and improves FTXP's probability of opening the door to the vast and ever accelerating roster of ESG filtered funds.

The company is developing a deep hydrogen observatory project - an internal research program designed to identify and locate natural hydrogen signatures globally.

Retail: Foothills aims to transition to a carbon neutral portfolio via incorporating hydrogen refuelling and **EV charging stations** (plus franchise dining) within its retail O&G operations plan.

Geothermal: Foothills estimates the global geothermal power market will reach ~ \$7bn by 2027E, a 5.5% CAGR. Whilst geothermal is an attractive future opportunity for the company, its green energy transition (hydrogen and electric vehicle charging) is the priority.

Management Team

➤ **Executive Chairman, Kevin Sylla.**



Kevin has 10+ years of oil & gas industry experience – (management, developing and financing) in addition to an extensive knowledge in business development, mergers and acquisitions, and oil and gas field operations. Kevin’s experience in O&G M&A is concentrated on taking underdeveloped/undervalued assets and turning them into successful revenue generating operations.

➤ **CEO, B.P. Allaire.**



B.P. has 25+ years international experience as an executive leader and business operator. B.P.’s experience includes M&A and management in O&G, as well as business development, marketing and finance in other industries. B.P. has also executed roll-up acquisition strategies and integration of newly acquired companies.

➤ **CFO, Christopher Jarvis (EVP of Finance & Director).**



Christopher is a Certified Financial Analyst (CFA) and has more than 20 years of capital markets experience in equities, commodities and fixed income. He has been ranked #1 by Bloomberg’s BARR analyst ranking system. He continues to be a regular media contributor as an oil and gas analyst for CNBC, Fox Business News, Reuters, Bloomberg, and the WSJ. Christopher is a member of the University of Connecticut Financial Accelerator Advisory Board (10 years) and has served as the Vice President of the Autism Society of New Hampshire (2004-09).

Risks

Project development risk – This includes failure to be granted a license(s) or to discover or develop an economically recoverable resource, to conclude a definitive feasibility study, and to obtain the necessary consents and approvals for the conduct of exploration and extraction.

Commodity price risk – FTXP is highly exposed to commodity price volatility. A potential fall in commodity prices could lead to its projects becoming economically unviable. Risk mitigation steps could include measures to hedge risk including steps such as stockpiling when prices are low and price hedging when prices rise above expectations.

Funding availability risk – Mineral extraction is a capital-intensive business and requires a significant amount of investment as well as working capital. If the company is unable to raise capital for its exploration and development activities, it will adversely impact the timelines for its projects. Also, too much new equity (raising money via issuing equity) will lead to dilution while debt funding will increase interest cost thereby putting further pressures on cash flows. FTXP does not have an ESG policy currently, which creates a significant potential barrier to funding. We estimate that in 2021 AUM \$30trn were formerly inaccessible to companies without an ESG with metrics. We believe the AUM filtered informally at this time using ESG filters is far in excess of AUM \$30trn.

Regulatory risk – Mineral extraction projects tend to attract high regulatory interest given their impact on the environment as well as on the country's natural resources. FTXP's assets are in the US, which has extensive state laws and regulations. Failure to comply with them could lead to delay or complete shutdown of the development of the assets. In common with many junior mineral extraction companies FTXP does not have an ESG policy or use big data collection and analysis at this time. Big data collection and analysis can reduce several risk types and wastage.

Personnel risk - Small and mid-sized corps are more dependent on their C-suite/executive management teams than large and mega-cap global corps. The loss of key personnel can have a disproportionate impact on valuation and perception compared to similar events at larger more mature (often ex-growth) companies.

O&G risk – The O&G industry is already heavily scrutinised and viewed as not being environmentally friendly – corporate and financial institutions are encouraged to divest from brown assets. Not having a robust ESG policy could be seen unfavourably by investors as a potential lack of transparency and accountability. The Russia/Ukraine war may alleviate this pressure in the immediate future.

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