



MOLOPO ENERGY LIMITED

21 February 2018

Cheng Tang
Senior Adviser, Listings Compliance
Level 4, North Tower
525 Collins Street
Melbourne VIC 3000

Dear Cheng

Molopo Energy Limited (ASX:MPO) (**Molopo** or **Company**) refers to the letter received from ASX Limited (ASX) dated 15 February 2018 (**Query Letter**). A copy of the Query Letter is enclosed with this letter.

In its Query Letter, ASX requested Molopo to respond to certain questions raised by ASX in relation to the following announcements lodged by Molopo with the ASX Market Announcements Platform on 1 February 2017:

- Announcement titled "December 2017 Quarterly Activities Report"; and
- Announcement titled "5B December Quarter Cashflow Report".

Molopo's responses to the questions raised by ASX in its Query Letter are set out below.

Question 1: Please confirm if the A\$5,964,000 disclosed as an investment in the Appendix 5B is the same amount as the US\$4.5 million shareholder loan referred to in Molopo's announcement titled "Update on funding for Orient investment" lodged with ASX Market Announcements Platform on 11 December 2017 (Funding Announcement).

Yes, Molopo confirms that the A\$5,964,000 disclosed as an "investment" in section 2.1(c) of the Appendix 5B is the same amount as the US\$4.5 million shareholder loan referred to in the Funding Announcement.

Question 2: If the answer to question 1 is yes, please confirm the nature of US\$4.5 million advanced to Orient with respect to whether it is a loan (with the expectation of being repaid) or an investment in the project. Please provide all necessary details required in explaining the classification of this outflow.

Molopo confirms that the A\$5,964,000 disclosed in section 2.1(c) of the Appendix 5B is in the nature of a shareholder loan as disclosed previously in the Funding Announcement. As noted in the response to question 3 below, Molopo confirms that the classification of the amount of A\$5,964,000 in section 2.1(c) of Appendix 5B as an "investment" should have more appropriately been classified as "cash flows from loans to other entities" in section 2.3 of the Appendix 5B.

Question 3: If the answer to question 2 is that the US\$4.5 million is a loan, then please explain why it has been classified as an investment in Appendix 5B.

Molopo confirms that the inclusion of the amount of US\$4.5 million in section 2.1(c) of Appendix 5B as an "investment" should more appropriately have been classified as "cash flows from loans to other entities" in section 2.3 of the Appendix 5B.

Question 4: If the answer to question 2 is that the US\$4.5 million is a loan, then please state the key terms of the loan eg. the repayment schedule, any interest components, etc.

The terms of the shareholder loan are as set out below:

- Principal amount of A\$4.5 million;



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- Interest free;
- Due and payable by Orient to Molopo when Orient is in a financial position to repay the loan taking into account Orient's objectives and obligations in relation to the Orient Project and otherwise on the terms set out in the Shareholders Agreement between Orient, Molopo and the other 50% shareholder of Orient.

Question 5: If the answer to question 2 is that the US\$4.5 million is an investment, then please explain why it has been described as a shareholder loan in the Funding Announcement and any key terms of the investment.

No response required as the answer to question 2 was that the US\$4.5 million is in the nature of a shareholder loan and not an investment.

Question 6: As at the date of this letter, please state how much of the US\$4.5 million has been expended (if any) and the nature of the expenditure.

Molopo, together with the other 50% shareholder of Orient, is required to provide funding to Orient to enable it to comply with its obligations including under the Exploration and Development Agreement (EDA) that it is a party to together with Kerogen Florida Energy Company LP. Orient will use any such funding as and when required in order to comply with its obligations under the EDA.

Question 7: Please confirm that MPO is in compliance with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition in accordance with that Rule that has not already been released to the market.

Molopo confirms that it is in compliance with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition in accordance with that Rule that has not already been released to the market.

Question 8: Please confirm that MPO's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of MPO with delegated authority from the board to respond to ASX on disclosure matters.

Molopo confirms that its responses to the questions above have been authorised and approved in accordance with Molopo's published continuous disclosure policy.

Please let us know if you have any further queries.

On behalf of Molopo Energy Limited ACN 003 152 154

Company Secretary
Richard Matthews



15 February 2018

Richard Matthews
Company Secretary
Molopo Energy Limited

By email: richard_matthewsnzl@hotmail.com

Dear Mr Matthews

Molopo Energy Limited ("MPO"): Quarterly cash flow and activities report query

ASX Limited ("ASX") refers to the following:

- A. MPO's announcements titled "December 2017 Quarterly Activities Report" and "5B December Quarter Cashflow Report" (the "Appendix 5B") lodged with ASX Market Announcements Platform ("MAP") and released on 1 February 2018 disclosing the following:

"The Company's most significant payment in the quarter was of circa US\$4.5M (circa. AU\$6M) advanced to its 50% owned Orient FRC Limited (Orient), a BVI registered company, that holds rights over oil & gas exploration leases in south-west Florida (USA) with Kerogen Florida Energy Company LP."; and

"\$5,964,000" being disclosed as a cash outflow under Appendix 5B section 2.1 'Payments to acquire: investments'.

It is noted that no information relating to cash outflows is given under Appendix 5B section 2.3 'cash flows from loans to other entities' nor Appendix 5B section 7 'Payments to related entities of the entity and their associates'.

- B. MPO's announcement titled "Update on funding for Orient investment" lodged with MAP and released on 11 December 2017 (the "Funding Announcement") disclosing the following:

"Before the operating partner will commence works, Molopo is required to provide Orient with at least US\$4.5 million in upfront funds that will be used by Orient to pay certain costs of the Orient Project. For this purpose, Molopo has today advanced Orient the amount of US\$4.5 million by way of shareholder loan".

Questions for Response:

1. Please confirm if the A\$5,964,000 disclosed as an investment in the Appendix 5B is the same amount as the US\$4.5 million shareholder loan referred to in the Funding Announcement.
2. If the answer to question 1 is yes, please confirm the nature of US\$4.5 million advanced to Orient with respect to whether it is a loan (with the expectation of being repaid) or an investment in the project. Please provide all necessary details required in explaining the classification of this outflow.
3. If the answer to question 2 is that the US\$4.5 million is a loan, then please explain why it has been classified as an investment in the Appendix 5B.

4. If the answer to question 2 is that the US\$4.5 million is a loan, then please state the key terms of the loan e.g. the repayment schedule, any interest components, etc.
5. If the answer to question 2 is that the US\$4.5 million is an investment, then please explain why it has been described as a shareholder loan in the Funding Announcement and any key terms of the investment.
6. As at the date of this letter, please state how much of the US\$4.5 million has been expended (if any) and the nature of the expenditure.
7. Please confirm that MPO is in compliance with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition in accordance with that Rule that has not already been released to the market.
8. Please confirm that MPO's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of MPO with delegated authority from the board to respond to ASX on disclosure matters.

Please note that ASX reserves its right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event by not later than 5:00pm AEDT on Wednesday, 21 February 2018.

Your response should be sent to me by e-mail at cheng.tang@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rule 3.1

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. Exceptions to this requirement are set out in Listing Rule 3.1A.

In responding to this letter, you should have regard to MPO's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

It should be noted that MPO's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely,

[Sent electronically without signature]

Cheng Tang
Senior Adviser, Listings Compliance (Melbourne)
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E: cheng.tang@asx.com.au