



MOLOPO ENERGY LIMITED

ASX ANNOUNCEMENT (ASX:MPO)

30 April 2018

Orient Project – Clarification of 22 August 2017 Announcement

On 22 August 2017, Molopo released an announcement (**August Announcement**) about an investment in a project in Florida, referred to in that announcement and subsequent announcements as the Orient Project. The August Announcement included references to estimated resources of the Orient Project. Molopo would like to clarify and correct some of those references.

Background

As a general comment, upon revisiting the August Announcement, Molopo notes there are some inconsistent references to the class of mineral estimates that were reported on, which should refer to "resource estimates" only. This has been clarified in today's announcement.

By way of background, Molopo also confirms that the resources reported in the report from Morning Star Consultants, LLC (**Morning Star**) dated 1 June 2017 were reported for the benefit of Kerogen Florida Energy Company LP (**Kerogen**) which classified the resources applicable to the Orient Project as "prospective resources". Morning Star subsequently prepared a revised report for Molopo on the basis that Molopo had completed the acquisition of its interest in the Orient Project (ie. to report on these resources as of 25 July 2017 when Molopo acquired an interest in Orient).

As such, in Morning Star's subsequent report dated 18 September 2017, the resource volumes were upgraded from "prospective resources" to "contingent resources" given (as noted by Morning Star) due to Molopo's ability to fund the Orient Project "and the apparent management commitment to move forward with the exploratory phase of the project". Given this, today's announcement clarifies that the resources for the Orient Project are classified as "contingent resources" rather than "prospective resources", in line with Morning Star's revised report dated 18 September 2017.

Contingent Resources

As previously announced, Molopo requested Morning Star to review technical work carried out by Kerogen and prepare an independent expert report to the Directors of Molopo on the resource estimates applicable to the leased land the subject of the Orient Project. Morning Star issued its report on 1 June 2017 which reported the prospective resources applicable to the Orient Project which were reported in Molopo's August Announcement.

Molopo subsequently requested Morning Star to prepare an independent expert report on the resource estimates applicable to the Orient Project on the basis that Molopo had completed the acquisition of its interest in the Orient Project. As a result, Morning Star issued a report to the Directors of Molopo dated 18 September 2017 which upgraded the classification of the resource volumes applicable to the Orient Project from "prospective resources" to "contingent resources" as of 25 July 2017, which are noted in Table 1 below.

Table 1 - Gross Contingent Resources for Project as at 25 July 2017

Contingent Resources - Gross (100%)			
	Maximum (C1)	Most likely (C2)	Minimum (C3)
EUR, Bbls	20,962,000	12,300,485	6,278,159

Whilst the August Announcement stated that the figures as set out in table 1 above were an estimate of 100% contingent ultimate resources (EUR) and also stated "net 25% to Molopo", Molopo now also sets out the net figures allocable to it.

The table below shows how the Gross Contingent Resources are reduced by royalties payable to land holders. The Net Revenue Interest applied to the Orient Project in this analysis is 81%, being the maximum royalty rate payable to land holders. The table below shows how this affects the Orient Project.

Table 2 - Contingent Resources for Orient Project (Net) as at 25 July 2017

Contingent Resources - Net for Orient Project			
	Maximum (C1)	Most likely (C2)	Minimum (C3)
EUR, Bbls	16,979,220	9,963,392	5,085,308

As at 22 August 2017, Orient FRC Ltd (**Orient**) held (after clawback for drilling costs) an effective 50% interest in the Orient Project and Molopo held a 50% interest in Orient. Accordingly, contingent resources applicable to Molopo as at 25 July 2017 were as follows:

Table 3 - Contingent Resources for Orient Project (Net to Molopo) as at 25 July 2017

Contingent Resources - Net to Molopo			
	Maximum (C1)	Most likely (C2)	Minimum (C3)
EUR, Bbls	4,244,805	2,490,848	1,271,327

Notes - General

1. EUR = Estimated Ultimate Recovery
2. Bbls = barrels of oil

Notes - Contingent Resources

1. The contingent resource estimates included in this announcement have been prepared in accordance with the SPE-PRMS reserve and resource definitions and ASX Listing Rules Chapter 5.
2. The resource volumes reported are estimated using the deterministic method and are "unrisked" or "derisked".

The estimates of contingent resources calculated according to Molopo's economic interest in the contingent resources as set out in Table 2 above have been calculated taking into account the following:

- Molopo's 50% interest at such time in Orient's participation interest of up to a 50% working interest within the State of Florida and any offshore water adjacent to the State of Florida to explore for oil and gas and initially drill wells to test certain lands that are the subject of the Indigo Lease located in the Upper Sunniland Formation in Hendry County, South Florida, United States. Molopo interest was as a result of it owning 50% of the issued share capital in Orient and pursuant to the terms of the Shareholders Agreement between Molopo and the other 50% shareholder of Orient; and
- Orient is required to pay a royalty to the landholder of lands the subject of the Indigo Leases: up to 19% on oil, gas and sulphur, 10% on all other minerals mined, marketed or utilized by the leaseholder (50% attributable to Orient with a net effect of 25% attributable to Molopo).

Methodology and Analytical Procedures

The contingent resources as they appear in this announcement are based on a stochastic simulation, a more accurate tool than statistical distribution or deterministic approach typically used in the oil and gas industry for exploration resources. The paying formation in this acreage is the Upper Sunniland Formation. The contingent resources do not represent aggregated estimates. Morning Star's stochastic simulation takes into account the uncertainty and fully de-risked resources.

Morning Star used 10,000 trial runs to create a statistical model based on variety of factors such as formation thickness and petrophysics parameters. The Monte Carlo statistical method with random seed and precision control of a confidence level of 95% was used to statistically create the simulation used to generate the contingent resources as they appear above.

Qualified Petroleum Resource Evaluator

The Contingent Resources in this presentation are based on and fairly represent information and supporting documentation prepared by and under the supervision of a qualified petroleum reserves and resource evaluator, Mr Douglas L. McBride who is a member of the American Association of Petroleum Geologists (AAPG) and a member of the Society of Petroleum Engineers (SPE) and a qualified petroleum reserves and resources evaluator that complies with Australian JORC SPE-PRMS reporting requirements, and is a member of the Texas Board of Professional Engineers (TBPE) licensed member 50596.

MorningStar Consultants, LLC is a licensed Petroleum engineering and geological consulting firm located in Austin, Texas, U.S. and is a Texas Board of Professional Engineers (TBPE) Licensed member 10475.

MorningStar Consultants, LLC was founded in 2006 by Mr. Douglas McBride, RE. State of Texas, USA. Mr. Douglas McBride serves as the President and CEO of MorningStar Consultants, LLC

MorningStar has extensive experience in evaluating conventional and unconventional (shale) reservoirs in the Lower 48 U.S, Alaska, Angola, Argentina, Australia, Azerbaijan, Canada, China, Colombia, Egypt Georgia, Gulf offshore India, Kazakhstan, Kuwait, Libya, New Zealand, North Sea, Penza Russia, Trinidad, and other countries. MorningStar has more than 38 years of professional experience in the Gulf Coast region of the US where the assets the subject of the Project are located. For more information please refer to www.morningstarconsultants.com.

In accordance with ASX Listing Rules, any hydrocarbon resources and/or drilling information and/or other technical information in relation to the Project and all references to MorningStar and Mr. Douglas McBride in this Announcement have been reviewed and signed off by Mr. Douglas McBride

of MorningStar Consultants, LLC, who has 42 years' experience in the sector. Mr. Douglas McBride and MorningStar Consultants, LLC each consent to the inclusion of the information in the form and context in which it appears in this Announcement

MorningStar Consultants, LLC declares:

Neither we nor any of our employees have any ownership interest in the subject properties and neither the engagement to make this study nor the compensation is contingent upon our evaluation conclusions concerning this Project.

Forward looking statements and estimates

Certain statements in this document constitute forward looking statements and comments about future events. Such forward looking statements involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company and which may cause actual results, performance, achievements, costs or liabilities to differ materially from those expressed or implied by such statements. Forward looking statements are provided as a general guide only, and should not be relied on as an indication or guarantee of future performance or outcomes. Given these uncertainties, recipients are cautioned to not place undue reliance on any forward looking statement. Subject to any continuing obligations under applicable law the Company disclaims any obligation or undertaking to disseminate any updates or revisions to any forward looking statements in this document to reflect any change in expectations in relation to any forward looking statements or any change in events, conditions or circumstances on which any such statement is based.

Nothing contained in this document nor any information made available to you is, or shall be relied upon as, a promise, representation, warranty or guarantee as to the past, present or the future performance of the Company.

Molopo Energy Limited
ACN 003 152 154