



MOLOPO ENERGY LIMITED

Quarterly Report

For the 3 months ended 31 March 2018

Molopo Energy Limited (“Molopo” or the “Company”) presents its quarterly activities report for the three-month period ended 31 March 2018.

Capital and operating expenses

The Company holds AU\$16.90M in cash at 31 March 2018. The Company's most significant transaction(s) in the quarter totaled AU\$29.5M, being investments in Orient FRC Limited (**Orient**), that held rights over oil & gas exploration leases in south-west Florida (USA) with Kerogen Florida Energy Company LP (**Orient Project**), as well as investments into additional projects with Drawbridge Holdings, described below. Other expenses in the quarter related to insurance, taxation, legal, advisory and general operating expenses.

Orient Project and other Drawbridge Projects

Molopo's strategy is to continue to work with our partners to further develop and enhance oil and gas exploration and development opportunities.

During the quarter, circumstances arose that necessitated the Company to alter some of the terms of the Orient Project and it also entered an agreement for new oil and gas projects in the USA.

In general terms, these transactions included:

- Molopo taking ownership of 100% of Orient shares. Molopo redeemed its joint venture partner's shares in Orient and committed to full funding of the Orient Project (total US\$21 million);
- Molopo partnering with Drawbridge Energy Holdings Ltd (**Drawbridge Holdings**) for additional projects. Diversification and de-risking of assets held by Orient was effected by way of assignment of the fully funded Orient Project to Orient FRC US, LLC (**Orient US**) and transfer of 100% interest in Orient US to Drawbridge Holdings in return for a 30% interest in Drawbridge Holdings.
- The net impact was a reduction in Molopo's interest in the Orient Project, while giving Molopo an indirect interest in additional oil and gas projects in the USA, as follows:
 - Texas, Permian Basin, Fenix Project: An interest in Fenix DB, LLC, a privately owned exploration and production company headquartered in Houston Texas, with current production of 65-90 BOPD (barrels of oil per day) with significant expansion potential;
 - South East Texas Gulf Coast, Onshore: Exploration and Development Opportunity onshore in South East Texas. The Project Area lies in the Expanded Yegua producing trend of the



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Texas Gulf Coastal Plain in Liberty, Hardin and Chambers Counties, Texas. Drawbridge Holdings has identified three 3D evaluated prospects (estimated 22 total wells) and nine mapped prospects;

- South East Texas Gulf Coast, Offshore: Drawbridge Holdings has acquired seven offshore Gulf of Mexico lease blocks representing 40,320 gross acres. The newly acquired leasehold covers 3 identified prospects; and
- USA Drilling Prospect Participation: The Drawbridge Holdings team is exposed to numerous single and multiple well drilling opportunities. Two prospects are expected to be drilled soon in South Texas.

On 25 April 2018, Kerogen agreed an extension from 1 May 2018 to 1 April 2019 in respect of the drilling deadline required relevant to the Orient Project in Florida.

Legal actions

As previously announced, on 5 December 2017 the Supreme Court of Victoria dismissed an injunction application initiated by Keybridge Capital Limited (**Keybridge**) that sought to restrain Molopo from contributing US\$4.5 million towards its commitment to fund the Orient Project.

On 7 March 2018, the Supreme Court of Victoria ordered the undertaking provided by Molopo to the Court be discharged. This court decision along with the dismissal of Keybridge's application to restrain Molopo from making payments to fund the Orient Project illustrates to the current Board the importance of maintaining independence from Keybridge in discharging its duties in the interests of all shareholders.

The legal proceeding initiated by Keybridge continues to be vigorously defended by Molopo, however, the parties have agreed to attend a mediation which is scheduled to take place during May 2018. The board of Molopo will keep shareholders informed of any developments.

Aurora Takeover bid

As shareholders will be aware, Aurora announced takeover bids for Molopo on 27 July 2017 (subsequently withdrawn) and 12 September 2017 with the offer period closing on 19 January 2018. A notice of variation was announced on 12 January 2018, extending the offer until 20 April 2018 and a further announcement was made on 13 April 2018, further extending the offer period to 20 June 2018. The Board believes that the terms of the takeover bid continue to present a clear and significant liquidity



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risk for Molopo's shareholders. The Board strongly maintains its recommendation that shareholders reject Aurora's offer.

Corporate matters:

As previously announced, Molopo director, Mr. Samuel Belzberg sadly passed away on 30th March 2018.

Mr Ronnen Rosengart resigned as a director on 29th December 2017.

The Annual General Meeting has been announced for Thursday 31st May 2018.

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This media release contains certain forward-looking statements. These statements relate to future events or future performance of the Company. When used in this media release, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "estimate", "predict", "seek", "propose", "expect", "potential", "continue", and similar expressions, are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties, and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Such statements reflect the Company's current views with respect to certain events, and are subject to a number of risks, uncertainties and assumptions. Many factors could cause Molopo's actual results, performance, or achievements to materially differ from those described in this media release. Should one or more of these risks or uncertainties materialize, or should assumptions underlying forward-looking statements prove incorrect, actual results may vary materially from those described in other public disclosures made by the Company or this media release as intended, planned, anticipated, believed, estimated, or expected. Furthermore, statements relating to "reserves" or "resources" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions that the resources and reserves described can be produced profitably in the future. The forward-looking statements contained in this media release are expressly qualified in their entirety by this cautionary declaration. These statements speak only as of the date of this media release. The Company does not intend and does not assume any obligation, to update these forward-looking statements to reflect new information, subsequent events or otherwise, except as required by law.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

Molopo Energy Limited (MPO)

ABN

79 003 152 154

Quarter ended ("current quarter")

March 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation		
(b) development		
(c) production		
(d) staff costs	(219)	(219)
(e) administration and corporate costs	(1,524)	(1,524)
1.3 Dividends received (see note 3)		
1.4 Interest received	91	91
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Research and development refunds		
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(1,651)	(1,651)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment		
(b) tenements (see item 10)		
(c) investments	(29,579)	(29,579)
(d) other non-current assets		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment		
	(b) tenements (see item 10)		
	(c) investments		
	(d) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	Net cash from / (used in) investing activities	(29,579)	(29,579)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares		
3.2	Proceeds from issue of convertible notes		
3.3	Proceeds from exercise of share options		
3.4	Transaction costs related to issues of shares, convertible notes or options		
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities		

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	48,021	48,021
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,651)	(1,651)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(29,579)	(29,579)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	0	0
4.5	Effect of movement in exchange rates on cash held	113	113
4.6	Cash and cash equivalents at end of period	16,904	16,904

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	8,903	23,749
5.2	Call deposits	0	0
5.3	Bank overdrafts	0	0
5.4	Other (term deposit)	8,001	24,272
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	16,904	48,021

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter
\$A'000

219

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter
\$A'000

Mining exploration entity and oil and gas exploration entity quarterly report

8.	Financing facilities available	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
	Add notes as necessary for an understanding of the position		
8.1	Loan facilities		
8.2	Credit standby arrangements		
8.3	Other (please specify)		
8.4	Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

9.	Estimated cash outflows for next quarter	\$A'000
9.1	Exploration and evaluation	
9.2	Development	
9.3	Production	
9.4	Staff costs	150
9.5	Administration and corporate costs	300
9.6	Other (provide details if material)	1,200
9.7	Total estimated cash outflows	1,650

10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced				
10.2	Interests in mining tenements and petroleum tenements acquired or increased		50% shareholding interest in Orient FRC Ltd, that earns a right to hold 50% interests in leases in South Florida, USA	Nil – until drilling complete	

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: Date:
(Director/Company secretary)

Print name:

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.