



MOLOPO ENERGY LIMITED

Quarterly Report

For the 3 months ended 30 September 2017

Molopo Energy Limited (“Molopo” or the “Company”) presents its quarterly activities report for the three-month period ended 30 September 2017.

Capital and operating expenses:

The Company holds AU\$54.8M in cash reserves at the end of the quarter, earning interest revenues during the quarter of \$304K from treasury management of AU\$40M that were held on term deposit. The Company’s most significant transaction in the quarter was its US\$7M (AU\$8.78M) investment in Orient FRC Limited, a BVI registered company, that holds rights over oil & gas exploration leases in south-west Florida (USA) with Kerogen Florida Energy Company LP. Other expenses in the quarter related to exploration lease payments, insurance, taxation, legal and general operating expenses.

Orient FRC Ltd Investment:

As announced on 22 August 2017, Molopo completed the acquisition of 50% of the shares in Orient FRC Ltd (Orient) for US\$7 million (AUD\$ 8.75 million based on \$0.80 AUD/US exchange rate) pursuant to a Share Sale Agreement.

The purpose of the acquisition was for Molopo to obtain a 50% interest in Orient’s participation interest of up to a 50% working interest in an Exploration and Development Project with Kerogen Florida Energy Company LP, within the State of Florida, USA, and any offshore water adjacent to that State to explore for oil and gas and initially drill three wells via a conventional vertical well drilling program to test certain lands that is the subject of the Indigo Oil and Gas Lease located in the Upper Sunniland Formation in Hendry County, South Florida. Spudding of the first well to occur by May 2018 and spudding of two more wells to follow within 12 months of the first well.

Corporate matters:

On 30 June 2017, the review Panel announced its decision that, by no later than 26 October 2016 an “association” arose between Keybridge Capital Limited and Aurora Funds Management Limited or, in the alternative: *“the actions of Mr Bolton and Mr Patton, combined with the material financial interests each had in Keybridge and Aurora, and the influence that each exerted over Aurora and to an extent over Keybridge, gives rise to a control effect in Molopo that is otherwise unacceptable...”*

As a result of the “association”, each acquisition of Molopo shares by Keybridge and Aurora since 26 October 2016, which at that time aggregated to 22.49% of Molopo’s issued shares, has resulted in a contravention s 606 of the Corporations Act and the failure to disclose the association has been in contravention of s 671B of the Corporations Act.



MOLOPO ENERGY LIMITED

Quarterly Report

For the 3 months ended 30 September 2017

On 10 July 2017, the review Panel made the following orders:

- found that Aurora and Keybridge acted in concert and are associates in relation to Molopo;
- found that Aurora and Keybridge contravened Chapters 6 and 6C of the Corporations Act;
- ordered that none of Aurora and Keybridge or their respective associates may, directly or indirectly, acquire any shares in Molopo before the date that is 6 months after the date of the Panel's Orders made on 7 July 2017; and
- ordered that 3,666,285 shares in Molopo (1.5% of Molopo's shares) held by Keybridge and 39,540,910 shares in Molopo (15.9% of Molopo's shares) held by Aurora are vested in the Commonwealth and that these shares be sold by ASIC in accordance with the Panel's orders.

On 18 September 2017, Molopo announced an update to its top 20 shareholders, reporting that the 3,666,285 Molopo shares held by Keybridge and 39,540,910 Molopo shares held by Aurora were vested with the Commonwealth of Australia for sale pursuant to the orders issued by the review Panel.

Legal actions:

During the quarter, the Board continued to manage the legal action in Canada concerning the Company and Molopo Energy Canada Ltd. ("MECL"), a wholly owned subsidiary of the Company.

On 11 September 2017, Aurora Funds Management Limited announced that, as responsible entity for the Aurora Fortitude Absolute Return Fund, Aurora Absolute Return Fund and Aurora Global Income Trust, it applied to the Federal Court of Australia for a judicial review of the Takeovers Panel decision of 30 June 2017 and 7 July 2017. Molopo is a respondent in the proceedings.

On 11 September 2017, Keybridge Capital Limited announced that it made an application to the Supreme Court of Western Australia seeking Court orders under section 247A(1) of the Corporations Act to inspect Molopo's books and documents. Molopo is opposing this application.

This Court action followed Molopo's Board decision not to accede to Keybridge's request:

- to allow Keybridge to inspect the books and documents of Molopo; and
- that Keybridge director and nominee, Mr William Johnson, be appointed as a director of Molopo.

Molopo is opposing Keybridge's application.

On 14 September 2017, Molopo received an originating application made by Keybridge Capital Limited and lodged with the Supreme Court of Western Australia in respect of which Keybridge is seeking a declaration as to alleged oppressive conduct by Molopo and acting contrary to the interests of members as a whole.



MOLOPO ENERGY LIMITED

Quarterly Report

For the 3 months ended 30 September 2017

Keybridge is seeking numerous orders including, among other things, the institution of proceedings against the directors responsible for Molopo entering into the Orient FRC Ltd transaction; the appointment of a receiver and manager of all of Molopo's property; Molopo may act only to convene a meeting of shareholders and otherwise in emergencies; restraining Molopo from taking any further steps including the expenditure of any funds in relation to the transaction to acquire shares in Orient FRC Ltd; restraining Molopo from entering into any transaction that involves the expenditure, or possible expenditure, of funds in excess of \$250,000 unless the effect of that transaction is, in the opinion of the ASX, sufficient to warrant the continued quotation of Molopo's securities on ASX; and restraining Molopo from transferring any funds from any of its bank accounts to outside of Australia other than payments due to its directors for their engagement as directors of Molopo.

Molopo is opposing Keybridge's application.

Aurora intended takeover bid

On 27 July 2017, Aurora Funds Management Limited, as responsible entity of Aurora Fortitude Absolute Return Fund (AFARF), intends to make a takeover bid for 100% of the shares in Molopo at a price of \$0.18 (18 cents) per share through a combination of cash and units in AFARF. Aurora's Initial Intended Bid contained numerous defeating conditions, including a "no material transaction" defeating condition involving any single transaction of more than \$2 million or an amount in aggregate in any series of transactions of more than \$2 million (no material transaction defeating condition). Given Aurora had failed to inform the market that the Transaction had triggered its proposed no material transaction defeating condition, Molopo announced on 1 September 2017 that the Transaction had triggered that proposed defeating condition. Aurora stated in its Announcement of 12 September 2017 (Announcement) that it had withdrawn its Initial Intended Bid because the Transaction had triggered its proposed no material transaction defeating condition. In its Announcement of 12 September 2017, Aurora stated that as responsible entity, AFARF intends to make a revised takeover bid for 100% of the shares in Molopo at a price of \$0.135 (13.5 cents) per share through a combination of cash and units in AFARF (Intended Revised Bid). With the notable exception of a 24.3% reduction in its initial proposed bid price, the proposed terms of the Intended Revised Bid are essentially the same.

Under Aurora's Intended Revised Bid:

- Molopo shareholders will be able to elect to receive the bid consideration in cash (capped at \$5 million in total) or the equivalent value in AFARF units, being units in an unlisted managed investment scheme.



MOLOPO ENERGY LIMITED

Quarterly Report

For the 3 months ended 30 September 2017

- Accepting Molopo shareholders who elect to receive AFARF units will be able to request redemption of the units off-market at the prevailing net asset value based redemption price in accordance with AFARF's constitution and fund updates.
- Acceptances for cash consideration that in aggregate exceed \$5 million would be scaled back, with the balance of the bid consideration satisfied by the issue of AFARF units.
- No value, or range of values, of the AFARF units are disclosed in Aurora's Announcement.
- Aurora has stated that its present redemption guidelines to manage the liquidity requirements of the AFARF, being an unlisted scheme, limit or restrict the redemption of units to 5% of total funds on management in any given quarter.
- Consequently, the ability of holders of AFARF units to have their units redeemed is significantly limited or restricted

General Meeting of Shareholders:

On 13 September 2017, Molopo received a requisition from Keybridge Capital Limited pursuant to section 249D of the Corporations Act that the Directors of the Company call and hold a meeting of the Company to consider the following resolutions:

- the removal of Alexandre Gabovich, the company's Managing Director and Interim Chairman; and
- the appointment of William Johnson as a director of the Company (nominated by Keybridge.)

The General Meeting has been called for 10 November 2017.

Company Strategy:

As Molopo has announced since 2015, the primary strategy of the Company is to actively pursue oil and gas investment opportunities.

On 7 June 2017, Molopo announced that ASX has advised the Company that it requires Molopo to demonstrate, by 31 July 2017, a level of oil and gas operations sufficient, in ASX's opinion, to warrant the continued quotation of its securities. In the event the level of Molopo's operations is not sufficient to warrant the continued quotations of its securities by 31 July 2017, Molopo's shares will be placed into suspension, until such time that the ASX is satisfied that Molopo has completed an acquisition or investment to meet the ASX Listing Rule requirements (i.e. so that Molopo is no longer considered a 'cash box').

Further and prior to the Company completing any material acquisition or investment it will need to consult with ASX so that the ASX may advise whether it considers ASX Listing Rule 11.1 should apply (i.e.



MOLOPO ENERGY LIMITED

Quarterly Report

For the 3 months ended 30 September 2017

whether shareholder approval must be obtained for the acquisition or investment or whether Molopo needs to re-comply with the requirements of Chapters 1 and 2 of the ASX Listing Rules).

The Orient FRC transaction announced in July 2017 was not considered a material acquisition or investment, however the transaction alone did not represent a level of oil and gas operations sufficient, in ASX's opinion, to warrant the continued quotation of its securities. Therefore the company's shares have continued to be held in suspension from that date until the company is able to meet the requirements of the ASX.

Resignation of Director

During the quarter, Mr Wayne Trumble resigned as a Non-Executive Director to focus on other business interests.

MOLOPO ENERGY LIMITED

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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

ABN

79 003 152 154

Quarter ended ("current quarter")

30 September 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	0	0
1.2 Payments for		
(a) exploration & evaluation	(300)	(300)
(b) development	0	0
(c) production	0	0
(d) staff costs	(163)	(443)
(e) administration and corporate costs	(480)	(1,257)
1.3 Dividends received (see note 3)		0
1.4 Interest received	304	918
1.5 Interest and other costs of finance paid		0
1.6 Taxes paid/received	(436)	(289)
1.7 Research and development refunds	0	0
1.8 Other (legal expenses)	(249)	(1,286)
1.9 Net cash from / (used in) operating activities	(1,324)	(2,657)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment		
(b) tenements (see item 10)		
(c) investments	(8,786)	(8,786)
(d) other non-current assets		

Mining exploration entity and oil and gas exploration entity quarterly report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 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	(8,786)	(8,786)

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	0	0

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	66,158	67,449
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,324)	(2,657)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(8,786)	(8,786)
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	(1,248)	(1,206)
4.6	Cash and cash equivalents at end of period	54,800	54,800

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	14,584	25,288
5.2 Call deposits	0	0
5.3 Bank overdrafts	0	0
5.4 Other (Term Deposits)	40,216	40,870
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	54,800	66,158

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	163
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	0
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Directors fees, superannuation payments, advisory fees (under agreement)

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	0
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	0
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	0	0
8.2 Credit standby arrangements	0	0
8.3 Other (please specify)	0	0
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.		

None

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	0
9.2 Development	0
9.3 Production	0
9.4 Staff costs	150
9.5 Administration and corporate costs	250
9.6 Other (Legal expenses)	500
9.7 Total estimated cash outflows	900

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	Nil			
10.2 Interests in mining tenements and petroleum tenements acquired or increased	Attached Leasehold Schedule	50% shareholding interest in Orient FRC Ltd, that earns a right to hold a 50% interest in leases located in South Florida	Nil	NIL – until drilling program completed

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:
(Company secretary)

Date: 31st October 2017

Print name: Andrew Metcalfe

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.

Florida Prospect Lease Details

Lease No.	Lessor	Lessee	Lease date	Expiration date	Option to extend in years	Extension payment per acre \$	Lease gross acres	Lease net acres	Lessor's royalty	Third party overriding royalty interest	Total lease burdens	Lease net revenue interest
FL-001-0001-001	INDIGO GROUP, INC.	KEROGEN FLORIDA ENERGY COMPANY LP	5/26/2011	9/23/2019	0	0	15,151.83	15,151.83	0.15000	0.04000	0.19000	0.81000
FL-001-0007-000	DWAYNE A. HOUSE	KEROGEN FLORIDA ENERGY COMPANY LP	4/10/2015	4/10/2020	0	0	1,530.18	1,530.18	0.16667	0.01000	0.17667	0.82333
FL-001-0008-000	DWAYNE A. HOUSE	KEROGEN FLORIDA ENERGY COMPANY LP	4/10/2015	4/10/2020	5	\$10.00	2,315.58	2,315.58	0.16667	0.01000	0.17667	0.82333
FL-001-0009-000	LONE RANGER LLC	KEROGEN FLORIDA ENERGY COMPANY LP	4/10/2015	4/10/2020	0	0	1,276.97	1,276.97	0.16667	0.01000	0.17667	0.82333
FL-001-0010-000	XIA HOLDINGS LLC	KEROGEN FLORIDA ENERGY COMPANY LP	4/10/2015	4/10/2020	0	0	225.10	225.10	0.16667	0.01000	0.17667	0.82333
FL-001-0011-000	FERGUSON-HOUSE FARMS INC.	KEROGEN FLORIDA ENERGY COMPANY LP	4/10/2015	4/10/2020	0	0	1,427.49	1,427.49	0.16667	0.01000	0.17667	0.82333
FL-001-0012-000	BLACK BOAR RANCH II LLC	KEROGEN FLORIDA ENERGY COMPANY LP	4/10/2015	4/10/2020	0	0	320.00	320.00	0.16667	0.01000	0.17667	0.82333
FL-001-0013-000	HKH PARTNERSHIP	KEROGEN FLORIDA ENERGY COMPANY LP	4/10/2015	4/10/2020	0	0	503.48	503.48	0.16667	0.01000	0.17667	0.82333
FL-001-0017-000	JACK PAUL PROPERTIES, INC.	KEROGEN FLORIDA ENERGY COMPANY LP	10/16/2015	10/16/2020	5	\$25.00	436.75	436.75	0.12500	0.01000	0.13500	0.86500
TOTALS							23,187.38	23,187.38				