



MOLOPO ENERGY LIMITED

ASX ANNOUNCEMENT (ASX:MPO)

27 April 2018

RESPONSE TO STATEMENTS BY KEYBRIDGE CAPITAL LIMITED

On 23 January 2018, Keybridge Capital Limited (**Keybridge**) made various statements to the market in its announcement to the ASX and in its media release (collectively, the **Keybridge Media Release**) which relate to Molopo's investment in its oil and gas exploration project relating to land the subject of the Indigo Oil and Gas Lease (**Indigo Lease**) located in the Upper Sunniland Formation in Hendry County, South Florida, United States (**Orient Project** or **Orient Transaction**), details of which were previously announced in Molopo's ASX announcements dated 22 August 2017 and 11 December 2017.

Molopo provides the information below in response.

Item	Page reference	Keybridge Statement	Molopo response
OPENING QUESTIONS AND BACKGROUND			
A.	Page 1, Paragraph 1	<i>Why is the Board of Molopo funding exploration for oil in an area of North America with a history of minimal oil production, considerable public opposition to drilling and where no other oil and gas company in the world appears to be interested in drilling?</i>	<p>The South Florida Basin has produced more than 120 million barrels of oil (MMBO) since the 1940's. During this period, there have been continuous efforts to locate more oil fields in the area.</p> <p>In addition to the exploration efforts of Orient, the following two significant exploration efforts are being undertaken in the South Florida Basin:</p> <ul style="list-style-type: none">• Burnett Oil Co Inc. (Burnett) is actively shooting a large 3D shoot to the

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			<p>South of Kerogen's acreage; and</p> <ul style="list-style-type: none"> • Tellus is permitting a 100 SM 3D shoot to the South of Kerogen's acreage. <p>Kerogen, backed by Riverstone, spent a considerable amount of money utilising proprietary, but industry recognised, methods to overcome difficult technical exploration hurdles that had stymied previous efforts by independents and majors for some time. It is expected that this will allow Orient to further exploit the existing Sunniland Trend.</p> <p>The acreage available to Orient has minimal environmental issues in that it is located in an agricultural area and not in wetlands.</p>
B.	Page 1, Paragraph 2	<i>Why are Molopo's public disclosures relating to the Orient Transaction so incomprehensible, opaque and contradictory that it is impossible to locate where they are planning to drill or how much it is going to cost?</i>	A significant amount of money has been spent by Kerogen on exploration technology in order to gain an economic advantage for the Orient Project. In order to prevent the loss of intellectual property relating to the Orient Project, which would be economically detrimental to the Orient Project, Molopo's approach to making public disclosures relating to the Orient Project has been to make announcements which disclose all information material to the price or value of Molopo shares. It has not disclosed and will not disclose commercially sensitive and confidential information which it is not required to disclose.
C.	Page 1, Paragraph 3	<i>Why has Molopo paid an extraordinary premium for a short-term lease of sub-surface oil rights, compared to other comparable transactions in the same area where the perpetual sub-surface rights to all minerals have been bought outright (not just leased) for a fraction of the amount paid by Molopo?</i>	<p>The Indigo Lease, which was to expire on 26 May 2019, has been extended by amendment, such that the initial term of the lease will now expire on 23 September 2024. This extension was accomplished by Kerogen as a condition of closing with Orient.</p> <p>Molopo and Kerogen have used standard industry practices for maintaining their prospective lease acreage and in their evaluation planning for delineation wells.</p>
D.	Page 1, Paragraph 4	<i>How can the Board of Molopo credibly forecast a US\$3.20 'finding and development' cost for a barrel of oil from a formation 3km below the surface, when in</i>	"Finding and development" costs and "production" costs (also referred to as "lifting" costs) are for completely different processes. They are in no way comparable.

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		<i>Saudi Arabia, recognised as the world's cheapest producer, it costs US\$9 to produce a barrel of oil from considerably shallower depths than those targeted by Molopo (and elsewhere in the USA, it typically costs at least US\$20 to produce a barrel of oil)?</i>	
E.	Page 1, Paragraph 5	<i>Why has no formal drilling application yet been made by Orient to the Florida regulatory authorities responsible for the grant of drilling permits?</i>	<p>The court proceedings instituted by Keybridge against Molopo (Keybridge Proceedings) hampered Orient in applying for drilling permits from the Florida Department of Environmental Protection, including by restricting Molopo's ability to freely utilise its funds and comply with its obligations in respect of the Orient Transaction.</p> <p>As announced, on 7 December 2017, 8 December 2017 and 7 March 2018 Molopo successfully defended (i) a court action whereby the restrictions imposed on it under the Keybridge Proceedings were lifted such that it was able to inject US\$4.5 million into Orient by way of shareholder loan (Court Ruling); and (ii) a takeover panel review where it was confirmed that Molopo was able to continue to invest in Orient notwithstanding the attempts made by Aurora Fortitude Absolute Return Fund (Aurora) to construe Molopo's obligations in respect of the Orient Transaction as an attempt to trigger the defeating conditions in Aurora's takeover bid for Molopo (Panel Ruling).</p> <p>During the period since the Court Ruling and the Panel Ruling, Molopo and Orient have been working with Orient's operating partner, Drawbridge Energy Operation and Management, LLC (Drawbridge), to prepare their land strategy and obtain an extension from Kerogen in respect of the timing for commencing drilling. To date, this extension has been discussed, but not yet formally agreed.</p>
F.	Page 1, Paragraph 6	<i>Why is only one of the 4 Directors who were on the Board of Molopo when it approved the Orient Transaction still on the Board?</i>	<p>As Keybridge should know, Molopo does not control the composition of its own Board.</p> <p>At the time of the approval of the Orient Transaction, the board of directors of Molopo (the Board) comprised four directors, namely Alexandre Gabovich, Samuel Belzberg,</p>

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			<p>Wayne Trumble and Ronnen Rosengart. Mr Trumble resigned following the approval of the Orient Project.</p> <p>On 13 September 2017, Molopo received a requisition from Keybridge pursuant to section 249D of the Corporations Act, calling for a general meeting of shareholders to seek the removal of Alexandre Gabovich and the appointment of William Johnson (nominee of Keybridge) as director of Molopo. At the General Meeting held on 10 November 2017, Alexandre Gabovich was removed and the appointment of William Johnson was rejected. Following the General Meeting, Baljit Johal (who was already a director of Molopo at that time) was appointed as Managing Director and Chairman of Molopo.</p> <p>On 28 December 2017, Ronnen Rosengart resigned as a director of Molopo.</p> <p>Sadly, Samuel Belzberg died on 30 March 2018.</p>
G.	Page 1, Paragraph 9	<i>Keybridge, despite repeated requests has been denied representation to the Molopo Board since late 2016.</i>	<p>On two separate occasions Keybridge has sought shareholder approval to remove directors from the Board and appoint new directors, nominated by it, to the Board.</p> <p>Whilst the removal of Alexandre Gabovich as a director was approved by shareholders at Keybridge's request, to date, the shareholders of Molopo have not approved the appointment of Keybridge's nominees to the Board.</p>
H.	Page 1, Paragraph 10	<i>Keybridge has sought representation to protect its shareholding in the company and that of minority shareholders in circumstances where recent events in Molopo have been extraordinary and in Keybridge's opinion highly detrimental to the interests of Molopo shareholders.</i>	<p>Molopo is not aware of any action taken by Keybridge to protect the interests of any minority shareholders of Molopo. Keybridge has to date caused Molopo to expend a significant amount of money on legal fees in defending itself against Keybridge's legal actions. Keybridge's actions have also materially affected the ability of Molopo to take up new oil and gas exploration opportunities, at a time when oil prices are increasing and investment opportunities are attractive.</p>
I.	Page 2, Paragraph 4	<i>What appears to be the case from publicly available documents sourced by Keybridge is that Kerogen has leased a total of 15,151 acres in Hendry County Florida (the Indigo Leases) from Tomoka and it is</i>	<p>Under the terms of the Indigo Leases, after the expiry of the initial term on 23 September 2024, the Indigo Lease will be maintained as long as a new well is drilled every 120 days thereafter. When drilling ceases, any Indigo Leases that are not in a producing unit will then expire. Indigo Leases that are in producing units will be maintained as long as the wells in those units are productive.</p>

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		<i>on these lands that Orient has agreed to drill of up to three oil wells. Kerogen does not have drilling rights in perpetuity, but rather these leases expire on 26 May 2019.</i>	
J.	Page Paragraph 6	<i>The payment of US\$4.5 million is difficult to reconcile as Molopo has announced that Gil Feiler, as the other 50% shareholder of Orient, is also required to fund a 50% share, so with the total cost of the first well being \$US3.6 million, and with Molopo's share being US\$1.8 million, Keybridge questions why Molopo has advanced to Orient a total of US\$4.5 million, and whether Gil Feiler has also contributed an equal US\$4.5 million loan as required.</i>	<p>The reason that Molopo was required to provide Orient with at least US\$4.5 million was set out in Molopo's 11 December 2017 announcement, as the amount required before Orient's operating partner would commence work. Nothing in Molopo's announcements suggests that this amount should reconcile with Molopo's share of the cost of drilling the first well.</p> <p>The US\$4.5 million was funded primarily to demonstrate to the proposed operator that MPO was able to fund its share of commitments. It will in time be used to pay for the costs of the three commitment wells, Orient's share of a bond in favour of a landholder, delay rentals, costs to acquire new leases and extensions, and costs of the operations and management team.</p>
K.	Page 2, Paragraph 8	<i>Keybridge's initial concern was around the structure of the Orient Transaction as, in Keybridge's opinion, the structure made no commercial sense as it delivered a windfall sum of US\$7 million to the said Gil Feiler in circumstances where there were a number of alternate methods by which Molopo could have participated in the drilling of these wells. All of those alternatives would have resulted in Molopo cash being applied towards actual drilling costs rather than simply delivering cash into the hands of a private individual.</i>	<p>The price paid to Dr Feiler was a negotiated price reflecting the value that was already attributed to the Orient Project as a result of substantial work and expenditure having already been undertaken.</p> <p>The assertion that Molopo could have participated in the initial phase of the Orient Project in some other way is completely unsubstantiated, and in circumstances where another person (Dr Feiler) had already acquired these rights, wrong.</p>
L.	Page 2, Paragraph	<i>With further announcements of the very significant additional sums that Molopo has advanced and proposes to advance to</i>	Significant investment is required in order to bring an oil exploration project into the development stage, including developing a land strategy, drilling strategy, hiring teams

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	9	<i>Orient, the concerns of Keybridge as to the fundamental nature of the Orient Transaction have been heightened.</i>	at the operator, hiring contractors and other such expenses. Molopo, in its announcement of 22 August 2017, provided examples of the type of expenses that would be incurred in connection with the Orient Project (for which funding would be required). Such expenses can be both significant and difficult to estimate.
M.	Page 2, Paragraph 10	<i>Keybridge has requested that Molopo provide full and proper disclosure of the Orient Transaction, including details of the financial standing of Orient, its assets and liabilities, its technical capacity and experience in the oil and gas industry and most importantly the basis upon which it determined to pay Gil Feiler the sum of US\$7 million.</i>	<p><u>Details regarding Orient</u></p> <p>Orient is a special purpose vehicle (SPV) that was used by Dr Feiler to acquire the rights in the Orient Project. Its only asset is the Orient Project and its only liabilities are in the form of shareholder loans (excluding the costs and expenses associated with undertaking the Orient Project).</p> <p>Molopo has engaged Drawbridge to provide operational expertise and to be the "operator" under the EDA. The appointment of Drawbridge was delayed as a result of the Keybridge Proceedings.</p> <p>As an SPV, Orient is reliant on its shareholders to fund its operating activities until such time as the Orient Project begins generating sufficient income to support its operations.</p> <p><u>Molopo's decision to acquire an interest in Orient</u></p> <p>Molopo based its decision to acquire 50% of the shares in Orient on a full review of the Orient Project. Molopo commissioned third party experts to review the Orient Project, and to conduct due diligence investigations on Dr Feiler.</p>
N.	Page 3, Paragraph 1	<i>Molopo has at every turn resisted making any disclosure that would address the legitimate concerns of Keybridge and has instead spent very significant sums of shareholders' money on lawyers to oppose the disclosure of this information.</i>	<p>Keybridge has, to date, acted in a manner that has been found to have breached the takeover provisions of the Corporations Act and has sought to remove directors from the board and replace them with its own directors. When such actions failed, it has sought to take action against Molopo and individual Board members through litigation.</p> <p>The announcement by Keybridge on 23 January 2018 appears to be the first step that Keybridge have taken in setting forth its questions/concerns regarding the Orient Transaction.</p> <p>During the Keybridge Proceedings, Keybridge was put on notice that its actions have</p>

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			<p>damaged Molopo's relationship with its partners in the Orient Project. Notwithstanding that, we understand that on 30 January 2018, Keybridge reached out directly to Kerogen, asking questions about the Orient Project and further undermining Molopo's negotiating position. Molopo is considering the legal options open to it in respect of Keybridge's actions to date.</p> <p>Molopo considers that it disclosed full details of the Orient Project on 22 August 2017. It further updated the market on 11 December 2017 and will provide further updates on its progress when appropriate. Keybridge has also, we understand, raised issues of technical legal compliance with the ASX Listing Rules in respect of certain aspects of the Listing Rules. Molopo is preparing responses dealing with such matters.</p> <p>Shareholders should note that certain information in relation to the Orient Project is commercially sensitive and disclosure would damage the value of the Orient Project. For example, it would not be in shareholders' interests to provide details of the exact locations where Molopo intends to commence drilling. Such disclosures would: (i) inform other drilling companies as to the locations where Kerogen's analysis indicates that significant quantities of oil are likely to be found; and (ii) increase competition for the land and mineral rights in the surrounding area, each of which would damage the long term interests of Molopo shareholders as beneficiaries of the Orient Project.</p>
O.	Page 3, Paragraph 2	<i>This resistance of Keybridge's bona fide questions on an 'investment' it is materially exposed to is unreconcilable with Molopo's ASX announcements detailing the apparent benefit the Orient Transaction brings to Molopo shareholders.</i>	Please see our response to Item N above.
P.	Page 3, Paragraph 4	<i>Accordingly, Molopo remains suspended from trading on the ASX with no guidance from the company as to when such suspension might be lifted nor what actions the company is taking to remove such</i>	<p>Molopo is seeking to establish a sufficient level of operations to enable its shares to be reinstated to quotation.</p> <p>Keybridge, through its litigation against Molopo, has been frustrating those efforts.</p>

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		<i>suspension.</i>	
WHERE EXACTLY ARE THESE DRILLING RIGHTS LOCATED?			
Q.	Page 3, Paragraphs 12 to 14; Page 4, Paragraphs 1 to 3; Page 5, Paragraphs 1 to 4; and Page 6, Paragraphs 1 to 8.	<p><i>It is impossible from the market announcements made by Molopo to determine where the drilling rights (ie. the Indigo Leases) in Florida are located. Molopo’s market announcement of 22 August 2017 (the Molopo Orient Announcement) provided two maps (Diagrams 1 and 2, reproduced below [on the original of Keybridge’s letter]) which purport to show the location of the Indigo Leases....</i></p> <p><i>This aspect will be dealt with later in this update but for the purposes of identifying exactly where the Indigo Leases are, Molopo refers to the fact that the “target prospect” is contained within the “blue circle” in Diagram 1.</i></p> <p><i>Interestingly there is NO blue circle anywhere within that diagram so it is impossible to determine where these drilling rights are. Further the scale of Diagram 1 is indistinguishable....</i></p>	<p>The statement that "[t]he target Prospect is situated within the blue circle marked on the Diagram below" on page 6 of Molopo's ASX announcement dated 22 August 2017 appears to have been included as an error or oversight. Molopo never intended to circle the exact location of the target prospect or wells.</p> <p>Molopo considers this information to be extremely confidential and commercially sensitive information and its disclosure would potentially give other exploration companies information as to where Molopo believes is the best place to drill based on confidential seismic reports.</p>
IS ORIENT PERMITTED TO DRILL?			

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R.	Page 6, Paragraph 10	<i>Molopo have [sic] announced that Orient is required to commence drilling in Hendry County by no later than 1 May 2018. Orient will need drilling permits to commence such drilling.</i>	As mentioned at Items E and M above, Molopo has been delayed in negotiations with its commercial counterparties due to the Keybridge Proceedings. Since the Court Ruling, Molopo has progressed negotiations and appointed Drawbridge as the operator under the Exploration and Development Agreement (EDA). Molopo is in positive discussions with Kerogen regarding an extension of the 1 May 2018 deadline and will update the market as and when any agreement is reached.
S.	Page 6, Paragraph 11	<i>However as advised above, Keybridge's research reveals that there are currently NO drilling applications submitted to the regulatory authorities in Florida for Hendry County and that on average a drilling application takes approximately 6 months to be granted if there are no objections received to the application.</i>	Please refer to our response at Item E above. It should be noted that the risk identified by Keybridge was identified during Molopo's due diligence of the Orient Project. However, when Molopo entered into the Orient Transaction, it did not anticipate that one of its own shareholders would seek to impugn its investment and prevent it from implementing the transaction in a reasonable period. As noted above, Molopo is working to extend the relevant deadline.
T.	Page 6, Paragraph 12	<i>Hendry County sits in close proximity to large population centres to the East and West and with the protected Florida Everglades to the South. An examination of the public record reveals that there is considerable opposition to on-shore drilling in Florida and that there has been a recent extension to the ban on any off-shore drilling in Florida.</i>	The offshore drilling ban is irrelevant for the purposes of the Orient Project. The Orient Project would require drilling on land only. Based on Molopo's due diligence inquiries, the Molopo Board believes that the regulatory agencies in Florida have performed in a proper, time-efficient and successful manner in respect of projects not located in proximity to or located within environmentally sensitive areas.
U.	Page 6, Paragraph 13	<i>In circumstances where Molopo acquired 50% of Orient in July 2017 and Orient's obligation to drill the wells in Hendry County obviously pre-dated that acquisition, Keybridge is concerned to know why Orient has still not made application to commence drilling by no</i>	In order to commence an application for a drilling permit and before incurring the costs associated with the same, Orient was required to appoint an operator under the terms of the EDA. As mentioned under Item E above, Orient had significant issues appointing an operator due to the Keybridge Proceedings. Orient has entered into an arrangement whereby Drawbridge has been appointed as the operator under the EDA.

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		<i>later than 1 May 2018.</i>	Drawbridge and Orient are working together to further develop a land strategy and drilling strategy.
HOW PROSPECTIVE ARE THESE FLORIDA LEASES FOR OIL?			
V.	Page 7, Paragraph 8	<i>The fact that there are NO drilling permits granted or even under application to any party in Hendry County is a clear indication to Keybridge that other than Molopo, no party in the whole of the world involved in the US oil and gas market has any desire to drill in that County or to be even motivated to make an application to drill for oil.</i>	<p>Molopo's own analysis shows that in Hendry County there are applications that have been made as recently as 20 October 2017. See https://floridadep.gov/water/oil-gas/content/current-applications.</p> <p>A review of active operators on the same website also shows that other operators are also active in the Sunniland field. On the website, the information is only current as at June 2017, but it lists Breitburn Energy as being active in the Sunniland field.</p> <p>Molopo also understands that new drilling permits (Cheeseman and Kanter) were also active in the Hendry County area as of last year.</p>
KEROGEN AND CONSOLIDATED TOMOKA			
W.	Page 7, Paragraphs 9 to 15; and Page 8, Paragraphs 1 and 2.	<p><i>The only matter that helps provides some guidance to the location of the Indigo Leases is Molopo's statement that they cover an area of ~15,000 acres in Hendry County Florida.</i></p> <p><i>The examination conducted by Keybridge has indicated that the oil rights to these ~15,000 acres are owned by a New York Stock Exchange listed company called Consolidated-Tomoka Land Co. (NYSE:CTO). This is confirmed in Tomoka's 2016 Annual Report.</i></p> <p><i>Tomoka has a market capitalisation of ~US\$350 million and as a listed company</i></p>	<p>For the reasons provided above, Molopo does not intend to disclose the exact location of the Indigo Leases. Please refer to our comments above regarding the extension and ability to continue with the Indigo Leases.</p> <p>Keybridge's comments on Kerogen's motivation are speculative and conjectural.</p> <p>It is of course usual practice in the oil and gas exploration and development sector for parties to derisk their positions and access other sources of capital through a variety of joint venture and similar arrangements.</p>

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		<p><i>makes elaborate disclosures to the NYSE and to its shareholders which are on the public record. The sub-surface rights it owns are a small but meaningful part of its property portfolio and are separately identified in its annual reports and other transaction announcements.</i></p> <p><i>Those reports indicate that Tomoka has been leasing the sub-surface rights to land in Florida to Kerogen for the last few years with the initial area leased being ~300,000 acres ultimately reducing last year down to ~15,000 acres. Tomoka in all circumstances also retains an over-riding royalty of 15% of the value of any oil produced from these leases.</i></p> <p><i>It is also clear from Tomoka’s public announcements that Kerogen has not been prepared to drill on this reducing leased area for the last 6 years opting instead to pay Tomoka “fail to drill fees”.</i></p> <p><i>It is also clear from information Kerogen has published that Kerogen has been attending industry conferences attempting to convince third parties to drill on these concessions rather than Kerogen having to pay for the costs of drilling itself....</i></p>	
WHAT MIGHT THE VALUE OF THE ~15,000 ACRE INDIGO LEASES BE?			
X.	Page 8,	<i>Valuation of exploration rights is</i>	As mentioned above, the Indigo Leases have been extended until 2024. Focusing on

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	Paragraphs 3 to 10	<p><i>notoriously difficult, however in this case there is some important information that bears directly on the value.</i></p> <p><i>As referred to earlier, Tomoka is the owner of the mineral rights attaching to the Indigo Leases. The ~15,000 acres forms part of a larger sub-surface mineral right holding of approximately 500,000 acres in Florida.</i></p> <p><i>In April 2016, Tomoka entered into an agreement with a third party on an arm's length transaction to sell all of its then 500,000 acres of Florida rights to another company for US\$24 million This translated to a value of approximately US\$48 per acre for all mineral rights (not just oil and gas) in perpetuity. This transaction did not consummate (it was cancelled on 8 November 2016) because of some issues of title but was nevertheless sufficiently advanced to require disclosure by Tomoka as a listed company, so is a good indication of the worth of the whole 500,000 acres of rights.</i></p> <p><i>Using the same valuation of US\$48 per acre, the value of the ~15,000 acres the subject of the Indigo leases would be US\$720,000 and that would be for all mineral rights in perpetuity. A quarter share (which is Molopo's equivalent share of the Indigo Lease via its 50% interest of Orient) would be worth US\$180,000 versus</i></p>	<p>the value of the leases neglects to include the immense proprietary value of the data and other intellectual property developed by Kerogen in respect of the Orient Project.</p> <p>Molopo disagrees with the equation proposed by Keybridge, which assumes that:</p> <ul style="list-style-type: none"> • all minerals owned by Consolidated Tomoka are equal; and • a large transaction covering acreage, where a majority thereof is not even in an oil producing trend, should be equal on a US\$ per acre basis to a relatively small acreage block that is in a known oil producing basin. <p>In addition, the value of the propriety geologic data and subsequent combined data and land value, which is a critical component of the Orient Transaction, is not considered in the equation. Even in new shale plays, leases can be picked up for a few hundred dollars an acre. Yet the cost of the science and the time to develop the concept can lead to leases becoming worth in excess of \$50,000 per acre (for example, Permian Basin). The same concept works in conventional plays where the leases can be picked up for a few hundred dollars an acre, yet coupled with proprietary 3D data the acreage can be worth extraordinary amounts (for example, in the Gulf Coast of Texas and Louisiana).</p>

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		<p><i>the US\$7 million paid by Molopo.</i></p> <p><i>In comparison, Molopo has paid the equivalent sum of US\$28,000,000 for 100% of the Indigo Leases (US\$7 million for a quarter share) or approximately US\$1,860 per acre (versus US\$48 per acre) for rights only to oil and gas and only for a period of ~16 months. Further evidence of the valuation is that in August 2017, Tomoka sold a parcel of 38,750 acres of rights in nearby Osceola County in Florida for US\$2.1 million. This translated to a rate of US\$54 per acre.</i></p> <p><i>The combination of these two transactions provide a good estimation of the value of sub-surface rights and indicates a range of between US\$48 to US\$54 per acre for all mineral rights in perpetuity....</i></p>	
POTENTIAL ECONOMICS OF OIL PRODUCTION IN HENDRY COUNTY			
Y.	Page 9, Paragraph 8	<p><i>Keybridge questions that even if the oil is there (and this is highly questionable as Molopo's whole justification is based upon some theoretical statistical analysis), how will this be funded? What is the return on investment, particularly when no account of oil infrastructure such as storage and pipeline construction and transmission costs have been advised?</i></p>	<p>It is not correct that Molopo's investment was 'based upon some theoretical statistical analysis'.</p> <p>Of course, the return on investment for an exploration project is very sensitive to key assumptions.</p> <p>Molopo's assessment of value and return issues was supported by, and continues to be supported by, independent geologists.</p>
Z.	Page 9,	Keybridge notes that Molopo has also	The statement by Keybridge mixes "finding" costs, which measures the cost of a well

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	Paragraph 9	<i>estimated that the total finding and development costs per well is US\$3.20 per barrel. Keybridge finds this figure difficult to comprehend as it is generally accepted that the average production costs for a successful on-shore well in the United States is approximately US\$25 per barrel. It is also recognised that production costs in Saudi Arabia are around US\$9 per barrel so the estimated production costs of US\$3.20 per barrel for wells of a depth of at least 10,000 feet in Hendry County would be a remarkable achievement.</i>	against its future reserves, and "production" costs, which measures the cost to produce a barrel. As mentioned above, these are two different and completely separate accounting items that are not capable of being compared in respect of different projects.
AA.	Page 9, Paragraph 10	<i>Given that there is also an overriding royalty payable to the underlying land holder of 15%, this makes the economics of a successful well even more problematic in Keybridge's opinion.</i>	Molopo is aware of royalties reaching 30% in some areas, in which case a 15% royalty is relatively low and within a normal range.
KEROGEN'S COSTS TO DATE			
BB.	Page 9, Paragraph 11	<i>The Molopo Orient Announcement refers to the fact that Kerogen has invested approximately US\$55 million into the "Prospect" to date which is a reference to the Indigo leased lands of ~15,000 acres. Historical expenditure of such a significant sum may arguably lend credence to the value of the leased lands for the purposes of justifying the astronomical sum Molopo has paid for a 50% interest in the drilling rights to this area, but again Keybridge</i>	The US\$55 million includes the value of the Indigo Leases and the proprietary scientific data and other intellectual property generated by Kerogen, over a period of 5 years, in creating the geological framework of the play. By focusing on the value of the Indigo Leases, Keybridge does not measure the true value of the science and land combined into the Orient Project. Readers should form their own opinion as to the merits of Keybridge's capability and opinions in assessing US oil exploration opportunities, based on the contents of Keybridge's letter.

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		<i>has serious concerns with this statement.</i>	
CC.	Page 10, Paragraph	<i>Kerogen's own website (http://www.kerogenexploration.com/) makes no mention of the Florida prospect, describing itself as a company targeting shale oil reserves and with its only stated project being a Canadian Shale Oil opportunity called Greater Pine Creek.</i>	It is usual practice for private companies, particularly exploration companies, not to disclose all the projects that they are currently involved in. There is also no requirement for Kerogen to do so. It is worth noting, however, that Keybridge's own analysis appears to have uncovered a portion of the work that Kerogen has been conducting in Florida.
DD.	Page 10, Paragraph 8	<i>It is also curious that the Riverstone LLC website, whilst it refers to 61 Industry Partners in various sectors such as Exploration and Production, Midstream, Energy Services etc, makes NO reference to Kerogen.</i>	We understand that Riverstone LLC (Riverstone) is a private equity fund with approximately US\$36 billion of assets under management. Keybridge's statement that Kerogen is not referenced on Riverstone's website is incorrect. Kerogen Energy Holdings LLC is referenced in the "Our Industry Partners" section of the website, under the heading "Exploration and Production". A public announcement dated September 27, 2012 is also referenced at the following link https://www.riverstonellc.com/documents/09.27.2012KerogenEnergyHoldings.pdf .
WHO IS ORIENT AND HOW SUBSTANTIAL A COMPANY IS IT			
EE.	Page 11, Paragraph 1	<i>There is no reference in any announcements made by Molopo to suggest that Orient has any assets other than the drilling rights to the Indigo Leases. Molopo has announced that Orient requires funding in order for it to become an 'operational company' (whatever that term means) which implies that Orient previously had no operations and no cash available to commence such operations. Certainly, Keybridge can find no public references to Orient having any other involvement in the Oil and Gas</i>	Please refer to our response at Item M above.

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		<i>industry nor of the principal of Orient, Gil Feiler having any background or experience in the running, administration and drilling of oil wells or in the development of oil fields.</i>	
FRUSTRATING THE WILSON ASSET MANAGEMENT TAKEOVER BID			
FF.	Page 11, Paragraphs 10 and 11	<i>The advance of funds to Orient has deprived Molopo shareholders of the opportunity to accept a takeover bid from Wilson Asset Management at 13.5 cents per share, and accordingly the Molopo Directors MUST have formed the view that the advance to Orient outweighed the prejudice to its shareholders of frustrating a cash takeover bid in circumstances where Molopo's shares remain in suspension on ASX. Molopo has made no announcement to explain this decision to shareholders.</i>	Wilson Asset Management retracted its offer notwithstanding that Molopo had already received a decision from the Takeovers Panel confirming that this was a pre-existing commitment [<i>Molopo Energy Limited 09 [2017] ATP 22</i>]. Molopo is of the view that such a defeating condition was not triggered as stated by Wilson Asset Management.
WHO IS ION?			
GG.	Page 11, Paragraph 12; and Page 12, Paragraphs 1 to 5.	Keybridge's letter consigns various assertions about Ion Limited, and other matters.	Ronnens Rosengart resigned in December 2017. Mr Rosengart did not give reasons for his resignation, although we note that he was (and remains) the subject of personal litigation commenced by Keybridge. The resolution to remove Mr Gabovich was proposed by Keybridge and presumably Keybridge intended for that resolution to be successful. It is unclear why Keybridge is questioning his removal now.

Item	Page reference	Keybridge Statement	Molopo response
			<p>Molopo has conducted independent background checks on Dr Gil Feiler in connection with the investment. Nothing in those checks raised any suggestion that Dr Gil Feiler was in any way connected with any shareholder or director of Molopo.</p> <p>The Board has no reason to believe that Molopo is not in compliance with Listing Rule 10.1.</p>
MOUNTING CORPORATE AND ADMIN COSTS			
HH.	Page 12, Paragraph 6	<p><i>In addition to the US\$11.5 million cash costs of the Orient Transaction (known to have been disbursed to date), Molopo shareholders have also seen vast sums expended by the company on Directors' fees, legal fees and administrative and corporate overhead expenses which in the 9 months to 30 September 2017 have amounted to approximately \$3 million.</i></p>	<p>Molopo has been party to a number of legal proceedings over the past year.</p> <p>During this time, Molopo has incurred a significant amount of non-investment expenditure as a direct result of continuing legal actions undertaken by Keybridge and Aurora.</p>
CONCLUSION			
II.	Page 12, Paragraph 7	<p><i>Given the foregoing, Keybridge's view is that both the oil potential of the Indigo Leases and their ultimate economic potential is extremely low. They appear to be located in an area where there is little oil production, no exploration activity or any interest by oil and gas companies to conduct exploration activity and with significant environmental and community challenges.</i></p>	<p>It is unclear on what basis Keybridge could form this view.</p> <p>Keybridge has no apparent expertise in assessing the value of US oil exploration opportunities.</p> <p>Keybridge has demonstrated no understanding of basic industry terminology and methods. It has formed its opinions without the benefit of confidential analysis available to Molopo.</p> <p>Independent geologists engaged by Molopo have stated that they have reviewed the geological interpretations prepared by the technical staff of Kerogen and conclude that reservoir mapping has been performed utilising standard industry best practices. Kerogen's proposed program to assimilate additional high quality reservoir data as</p>

Item	Page reference	Keybridge Statement	Molopo response
			<p>drilling continues is also in accordance with industry best practices.</p> <p>The greatest risk to the Orient Project is the action taken by Keybridge and Aurora to date. Significant timing hurdles and delays have been introduced as a result of the interference by these shareholders in the operations of Molopo.</p> <p>Based on the due diligence reports produced for the Orient Project, we are of the view that Keybridge's comments about the Indigo Leases being in an area where there is little oil production, no exploration activity or any interest by oil and gas companies are wholly inaccurate.</p>
JJ.	Page 12, Paragraph 8	<i>This is coupled in a general economic environment where capital for oil and gas projects is very scarce and the industry is in a cyclical downturn due to the significant reduction in the price of oil in the last few years.</i>	It is for precisely this reason that Molopo should be able to invest the funds available to it. The oil price has been increasing steadily over the last two years and a number of projects with attractive break-even points have been available which Molopo has not been able to participate in, due to the restrictions placed upon it by Keybridge and Aurora.
KK.	Page 12, Paragraph 9	<i>Comparable transactions for mineral rights are vastly lower than the implied value on these leases that only have less than two years to run, yet Molopo has chosen to deliver to the shareholder of Orient the sum of US\$7 million for a 50% interest in these extremely limited rights.</i>	We refer to our comments above in respect of the term of the Indigo Leases and that focusing on the value of the leases neglects to include the immense proprietary geological value of the data and other intellectual property developed by Kerogen in respect of the Orient Project.

Forward looking statements and estimates

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Molopo Energy Limited

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