



# MOLOPO ENERGY LIMITED

## ASX ANNOUNCEMENT (ASX:MPO)

11 December 2017

### UPDATE ON ORIENT FRC LTD INVESTMENT

#### **Molopo confirms payment of US\$4.5 million to fund the Orient Project**

As previously disclosed, Molopo Energy Limited (**Molopo** or **Company**) and the other 50% shareholder of Orient FRC Ltd (**Orient**) are each required to provide funding in equal shares by way of shareholder loans of certain costs and expenses of Orient to ensure it can perform and comply with its obligations under the Exploration and Development Agreement (**EDA**) and progress the oil and gas exploration project in South Florida, U.S. in which Orient has an interest (**Orient Project**), details of which are set out in further detail in Molopo's ASX announcement of 22 August 2017.

As noted in Molopo's ASX announcement of 22 August 2017, these costs include 100% of the costs of the three commitment wells (which were estimated at US\$3.2 million per well based on estimated costs at the time of the 22 August 2017 ASX announcement and are currently estimated to be approximately US\$3.6 million per well) together with various other costs referenced in Molopo's ASX announcement of 22 August 2017, some of which include (i) Orient's share of a US\$1 million bond in favour of the landholder in connection with drilling activities on the Indigo Oil and Gas Lease, and (ii) delay rentals, costs to acquire new leases and lease extensions that may be required or permitted under the terms of any lease which is the subject of the EDA. In addition, in order for Orient to become an operational company, it will need to (among other things) engage employees and incur regulatory/licensing costs in connection with obtaining all relevant licenses and permits to operate its business.

Under the terms of the EDA, Orient is required to spud the first commitment well by no later than 1 May 2018. Substantial work is involved in meeting this obligation and it is necessary for Orient to engage an operating partner as soon as possible in order for Orient to comply with its commitments. Orient is currently in the process of engaging a reputable operating partner to undertake (among other things) drilling works in relation to the Orient Project.

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.

#### **Future expected cash requirements for the Orient Project**

The operating partner has prepared a summary budget for (i) the drilling of the three commitment wells (ii) general, administrative and project management costs of Orient; and (iii) completing the three commitment wells (**Summary Budget**). The total budgeted amount for these costs is presently estimated to be approximately US\$20 million.

The Summary Budget estimates an amount of US\$11 million will be required for pure drilling costs, which is equivalent to approximately US\$3.6 million per commitment well and is reasonably close to the original estimate of US\$3.2 million per commitment well that was noted in Molopo's ASX Announcement of 22 August 2017. The other US\$9 million of costs noted in the Summary Budget relate to ancillary costs involved in the drilling process including the management costs of the operating partner, completion costs and leasehold costs.

In order to formally engage the operating partner, Orient is expected to be required to hold funds of at least US\$20 million, being the estimated contract value for the drilling program, as soon as practicable to demonstrate to the proposed operating partner that Orient has the financial capacity to comply with its obligations and progress the Orient Project, as described. Molopo is responsible for funding 50% of these costs, and today's payment of US\$4.5 million part satisfies that obligation.

It should be noted that the fundamental nature of oil and gas exploration ventures such as the Orient Project is uncertain, potentially requiring contributors to fund significant and ongoing costs associated with these projects. It follows that the estimated future funding obligations of Molopo are estimates only and the quantum and timing of Molopo's funding obligations in relation to the Orient Project may vary from the estimates provided.

### **Molopo Energy Limited**

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### **Forward looking statements and estimates**

Certain statements in this document constitute forward looking statements and comments about future events, including estimates of the Company's expected costs and the Company's expectations about the performance of its businesses and operations. 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.

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