MOLOPO ENERGY LIMITED

ASX ANNOUNCEMENT (ASX:MPO)

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MOLOPO DE-RISKS BY DIVERSIFYING ITS OIL AND GAS EXPLORATION PORTFOLIO

Gains interest in portfolio of US projects with significant upside potential, one of which already producing oil

Molopo Energy Limited (**Molopo** or the **Company**) (ASX: MPO) is pleased to announce that in the past few months, the board of directors of Molopo (**Board**) have spent a significant amount of time and effort to drive value and shareholder wealth. Molopo is pleased to provide a progress report on developments in respect of the oil and gas exploration project in South Florida (**Orient Project**) and to provide details of an arrangement which gives Molopo access to a portfolio of diversified oil and gas projects in the USA and reduces the risk inherent in having only one investment.

The Chairman of Molopo, Mr Baljit Johal, commented:

"The board of directors is excited to announce these developments. The changes that we have made to our portfolio reduce the concentration risk inherent in the Orient Project and give Molopo access to a diversified portfolio of oil and gas projects at various stages of development.

This is the core business of Molopo and these projects have significant upside potential. One of the investments is already producing oil and our view is that as the project ramps up in the coming months, it will support development in the other exploration projects that we have acquired interests in.

Significant time has been spent by myself and other directors in progressing these developments, and with the world class team we are working with at Drawbridge Energy Holdings Ltd, we look forward to further positive developments going forward."

1. SUMMARY

The Company provides the following updates in respect to the Orient Project, with further explanation and background detailed below:

- **Orient Project**
  - Orient FRC Limited (**Orient**) is an entity which has entered into an exploration and development agreement (**EDA**) with Kerogen Florida Energy Company LP (**Kerogen**) to participate in up to a 50% working interest in the Orient Project. Molopo holds 50% of the shares in Orient with the remaining 50% held by Dr Gil Feiler's special purpose vehicle, ESGM Investments Limited (**JV Partner**). Refer to the ASX announcements dated 22 August 2017, 11 December 2017 and 30 April 2018 for further details on the acquisition of Molopo's interest in Orient and the Orient Project.

- Whilst negotiating with Kerogen for an extension of time to satisfy the requirement to spud the first commitment well by 1 May 2018, as part of Orient's requirement under the terms of the EDA, the JV Partner expressed its concern regarding Molopo's ability to deliver on its obligations in respect to the Orient Project including, in respect to its ability to meet funding obligations (having regard to, amongst other matters, the Company's ongoing matters concerning Keybridge Capital Limited and Aurora Funds Management Limited). As part of the negotiations, the JV Partner also raised the possibility of litigious actions against the Company in respect to the failure to deliver on its obligations in respect to the Orient Project.

- On 30 January 2018, Orient redeemed all of the JV Partner's shares in Orient for a redemption amount of USD$7 million (**Orient Redemption**) resulting in the shares of the JV Partner in Orient being cancelled and Orient becoming a wholly owned subsidiary of Molopo. The Board unanimously supported this decision.

- Following completion of the Orient Redemption, Molopo has sole funded the remaining amounts required by the Orient Project, in accordance with its current budget for the project, in an aggregate amount of USD$21 million (**Orient Funding**).

- **Combination Transaction**

  - On 21 February 2018, Orient entered into a contribution agreement (**Contribution Agreement**) with Drawbridge Energy Holdings Ltd (**Drawbridge Holdings**) pursuant to which it agreed to (i) transfer its 100% interest in Orient FRC (US) LLC (**Orient US**), a wholly owned subsidiary of Orient; and (ii) assign Orient's interest in the Orient Project to Orient US at completion, in consideration for a 30% interest in Drawbridge Holdings (**Combination Transaction**).

  - Drawbridge Holdings is a newly formed enterprise with a world class operating team (refer to Section 9 for details of Drawbridge Holdings). Following completion of the Contribution Agreement, Molopo's indirect interest in the Orient Project has been reduced and Molopo has gained (via Orient's 30% interest in Drawbridge Holdings) a diversified oil and gas exploration portfolio with indirect interests in the following projects:

    - **Texas, Permian Basin, Fenix Project**: An interest in Fenix DB, LLC, a privately owned exploration and production company headquartered in Houston Texas. Fenix. **Current production of 65-90 barrels of oil per day** (BOPD) with significant expansion potential. See further details below in Section 7, the sub-section headed "*Projects, Fenix Project*";

    - **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 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 (eight of which are in the Yegua trend and one of which is in the Cook Mountain area). See further details below in Section 7, the sub-section headed "*Projects, South East Texas Gulf Coast, Onshore*";

    - **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. See further details below in Section 7, the sub-section headed "Projects, South East Texas Gulf Coast, Offshore"; 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. See further details below in Section 7, the sub-section headed "*Projects, Drilling Prospect Participation*".

- Following completion of the Contribution Agreement, Drawbridge Energy Operations & Management, LLC (**Operator**) was appointed to operate the Orient Project.

- On 25 April 2018, Kerogen Florida Energy Company, L.P. (**Kerogen**) agreed, subject to a number of conditions, to extend the drilling deadline for the spudding of first commitment well for the Orient Project to 1 April 2019.

2. COMMERCIAL RATIONALE

The commercial rationale for the above transactions are as follows:

- Notwithstanding that the Board fully supported the Orient Project which it inherited from the previous board of directors, it was concerned that Molopo was overly reliant on one project. This was inherently risky and the portfolio of diversified opportunities provided by Drawbridge Holdings, including producing units that could assist in the funding of the larger projects in that portfolio, both reduces risk and increases the prospects that Molopo's oil and gas exploration strategy will be successful.

- The reduction in interest in the Orient Project and addition of the new projects (detailed below) via its interest in Drawbridge Holdings continues to give Molopo significant upside potential, whilst reducing risk inherent in a single investment only.

- The Drawbridge Holdings team has world class expertise in exploration and development which should add significant value for Molopo shareholders (refer to Section 9).

3. REDEMPTION OF SHARES IN ORIENT HELD BY JOINT VENTURE PARTNER

As detailed above, the JV Partner raised issues regarding potential claims as a result of Molopo's delay in funding the Orient Project. Accordingly, the Board considered that the position of the JV Partner placed into jeopardy the Orient Project with Kerogen and without the financial support of the JV Partner, would have either given rise to a breach of the exploration terms with Kerogen (as detailed in the EDA) potentially resulting in a termination of the EDA, or have resulted in the need for Molopo to ultimately entirely sole fund the Orient Project (with the interest of the JV Partner in the Orient Project being diluted with the increased funding provided by Molopo). Either scenario was deemed by the Board to be of an unacceptable risk to the investment in the Orient Project, as either action would likely have resulted in litigation.

Although the Board was concerned that full funding of the Orient Project would put 'all of Molopo's eggs in one basket', having regard to the above, in the circumstances and after exploring the possibility of entering into the Combination Transaction (as defined below), the Board decided that the best course for Molopo was for Orient to redeem the joint venture partner's shares and enter into the Combination Transaction.

As a result of these circumstances, the Board determined to redeem the shares of the JV Partner to ensure the continued exploration of the Orient Project with Kerogen.

The redemption of the JV Partner shares in Orient were funded by loans previously provided by Molopo, which ultimately resulted in the payment of USD$7 million by Orient to the JV Partner for the redemption of all of their shares in Orient.

4. FUNDING OF ORIENT

As detailed above, during the first quarter of 2018, the Company (itself or by way of funding from its subsidiaries) provided total funding to Orient of USD$23.5 million. This in addition to the USD$4.5million provided during December 2017 equated to USD$28 million in aggregate.

Of this amount, USD$7 million was used to fund the Orient Redemption and USD$21 million was funded by way of intercompany loan from Orient to Orient US. Following completion of the Combination Transaction on or about 7 March 2018, the loan from Orient to Orient US was extinguished.

The Board considers that in light of the resource volumes upgrade (reflected in the Morning Star Consultants, LLC report dated 18 September 2017, the results of which are summarised in the Company's announcement to ASX dated 30 April 2018) and increased oil prices since the time of the original transaction, the Orient Project potentially had a greater value than when Molopo initially invested in the project.

5. KEROGEN EXTEND DRILLING DEADLINE FOR ORIENT PROJECT

On 25 April 2018, Kerogen offered an extension to 1 April 2019 in respect of the drilling deadline set out in the EDA for the Orient Project (**Extension**). The Extension is subject to a number of other conditions, the most significant being that the application for a drilling permit must be filed on or before 1 August 2018.

The expectation is that the leasing strategy in respect of the Orient Project will be completed within the next 90 days. Orient is currently intending to acquire additional acreage in the area of the Orient Project.

The key lease in respect of the Orient Project has been extended such that it will now expire on 23 September 2024. As is reasonably standard in such oil and gas leases, after the end of the primary term of the leases, the entire lease is maintained as long as a new well is drilled every 120 days thereafter. When drilling ceases, then the remaining minerals covered by the lease that are not in a producing unit will then expire. In respect of acreage in producing units (such term as defined by the Florida Department of Environmental Protection) those portions of the lease will survive as long as the wells in those units are productive.

Permit applications are expected to be submitted as soon as possible following the acquisition of the additional acreage referred to above and in any event prior to the deadline set out by Kerogen in respect of the Extension. In January 2018 discussions were held by consultants on behalf of Orient, with officials from the Florida Department of Environmental Protection, in order to inform them of forthcoming permit requests and to discuss the process to ensure expedient approval when the permit requests are submitted.

Drilling of the first commitment well in respect of the Orient Project is now expected to commence prior to 1 April 2019.

6. ORIENT ENTERS INTO COMBINATION TRANSACTION

Combination Transaction

On 21 February 2018, Orient entered into a Contribution Agreement with Drawbridge Holdings (a BVI business company), with its headquarters in Houston, Texas (**Combination Transaction**).

Orient engaged the services of the law firm of Greenberg Traurig in the United States to negotiate and undertake the Combination Transaction.

Closing under the Contribution Agreement occurred on or about 7 March 2018 (**Closing**).

Drawbridge Holdings is in the business of pursuing, acquiring and funding oil and gas investment opportunities, both in the continental United States and internationally. It has an experienced management team and has developed and/or acquired proprietary information and leasing of land with respect to a number of oil and gas exploration and development opportunities.

Details of the projects in which Drawbridge Holdings has an interest are set out at section 7 of this announcement. Details of the Drawbridge Holdings team are set out at Appendix A.

Aside from the obvious benefits of reducing Molopo's reliance on a single exploration and development project, the addition of additional projects with the potential for high returns and the attraction of an extremely experienced operating team, the Board felt that Kerogen, as the party to the EDA in respect of the Orient Project, were more likely to provide the necessary extension to the drilling deadline in the EDA if the Drawbridge Holdings team was in control of the Orient Project.

Consideration

Pursuant to the Contribution Agreement, Orient agreed to transfer its 100% interest in Orient US (including funds of USD$21 million, inclusive of USD$2 million amount on deposit for leasing strategy with the Operator) into Drawbridge Holdings in order to pursue a more diversified opportunity of oil and gas development prospects, with less reliance on a single project. In return, Orient received 3000 class A ordinary shares representing 30% of the equity interests in Drawbridge Holdings (**Class A Shares**). Sopris Energy Investments, Ltd owns the remaining 70% equity interest in the form of 7000 Class B ordinary shares (**Class B Shares**).

As a condition to the Combination Transaction, Orient was required to assign its interest in the Orient Project to Orient US.

What rights do the Class A Shares have?

As noted above, Molopo has acquired the Class A Shares in Drawbridge Holdings which provide Molopo with a right to appoint a director to the board of Drawbridge Holdings (**Class A Director**). Although the Class A Shares do not have voting rights, the board of directors of Drawbridge Holdings determines and manages the business of Drawbridge Holdings. The board of directors of Drawbridge Holdings currently consists of two directors (there is no maximum number). Baljit Johal has been appointed as the Class A Director and Michael Keener has been appointed as the Class B Director.

Brief particulars of the Class A Shares are as follows:

- the Class A Shares are non-voting shares - except for voting in relation to the amendment of the rights of the Class A shares and/or appointment/removal of the Class A Director;
- the Class A Shares carry a right to share equally in any dividend and/ or distribution of surplus assets of Drawbridge Holdings;
- the Class A Shares carry pre-emptive rights on new issues (which may be waived by the board of directors). Transfers of Class A Shares are subject to tag-along rights; and
- the Class A Shares carry a right to appoint the Class A Director, but any replacement must be approved by a majority in interest of holders of Class B Shares.

The Drawbridge Holdings management team is entitled, following a return of capital to investors (USD54m aggregate), to a carried interest of 20% in respect of any investment gains which exceed a hurdle rate of 8%.

Representations, Warranties and Indemnities

Orient and Drawbridge Holdings have provided reciprocal representations, warranties and indemnities which the Company considers to be standard for contracts of this nature including indemnities in respect of any breach of any representation or warranty made by the parties, any claim, action, suit, proceeding, inquiry, investigation or arbitration by or before any governmental, regulatory, administrative, judicial or arbitral body disclosed in the parties disclosure letters and any breach of any covenant or agreement by the parties requiring performance after the Closing.

7. PROJECTS

In addition to the Orient Project, Molopo, indirectly through Orient's interest in Drawbridge Holdings, now has an interest in a number of new projects. Set out below are details of these projects. Molopo has engaged an independent expert who is presently finalising the technical information in respect to the projects (detailed below) and Molopo will release this information shortly.

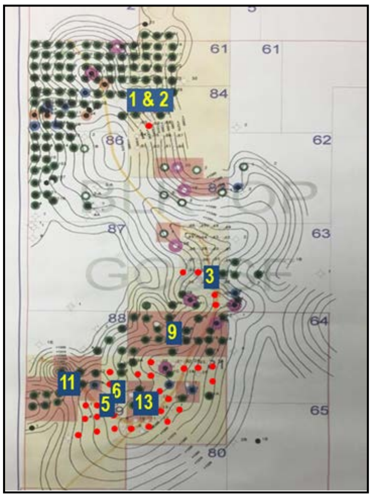
Projects, Fenix Project

Drawbridge Holdings committed to invest USD$3.67 million in Fenix DB, LLC (**Fenix**) a privately owned exploration and production company headquartered in Houston, Texas with assets located in the Permian Basin.

Fenix has acquired a 6,000 acre Proved Developed Producing field in Crocket County, Texas where the strategy is to exploit low risk conventional producing oil and gas properties. Current field level production is less than 100 BOPD from 37 vertical producing wells. The assets are shallow (1,900' deep) mature, vertical wells with established decline trends of approximately 6% per annum.

The property has at least 30 additional San Andres drilling locations on 20 acre spacing. Offset properties with waterfloods have substantially increased asset utility. In addition the property contains 4 other regionally productive sands in the Queen, Greyburg, Wolfcamp and Ellenberger. The majority of the Company's production is from the San Andres formation. All of the acreage is held-by-production. Fenix has approximately 6,000 net acres (8,000 gross).

Figure 1: Location Map, Drilling Locations and Leasehold Rights



In the diagram on the left above, Crockett County is shown in red. On the diagram to the right above, the Red Dots denote 30 undeveloped drilling locations. Pale shading denotes leasehold rights from the surface to the base of the Clearfork and darker shading denotes leasehold rights from 1600' to the base of the Clearfork.

Fenix is now charged with improving field operations by making minor changes to surface configurations and equipment to improve production.

Once this remediation work is complete the company will embark on a 5 well initial drilling program.

Drawbridge Holdings has funded the amounts committed to Fenix and the use of proceeds is as follows:

Figure 2: Fenix Budget

Acquire assets	$2,200,000
5 Well Drilling Program	$1,000,000
Working Capital /Field Remediation	$300,000
Transaction Costs & Expenses	$173,000
Total Uses	$3,673,000

All figures in USD

Drawbridge Holdings owns 100% of Class B shares of Fenix. Class B shares have a preferred position to all other classes of stock. Once the Class B investment and an 8% preferred return is repaid, the Class B shares will be convertible into 85% of the Class A shares of Fenix DB.

At such time as Drawbridge Holdings receives three times the amount of its investment from all cash paid to Drawbridge Holdings, then Drawbridge Holdings' 85% of the Class A shares will be reduced to 70% of the Class A shares. Drawbridge Holdings will also retain two of three board seats of Fenix. Additional investment will be considered based on the performance of the activity described above.

Resources and Economics

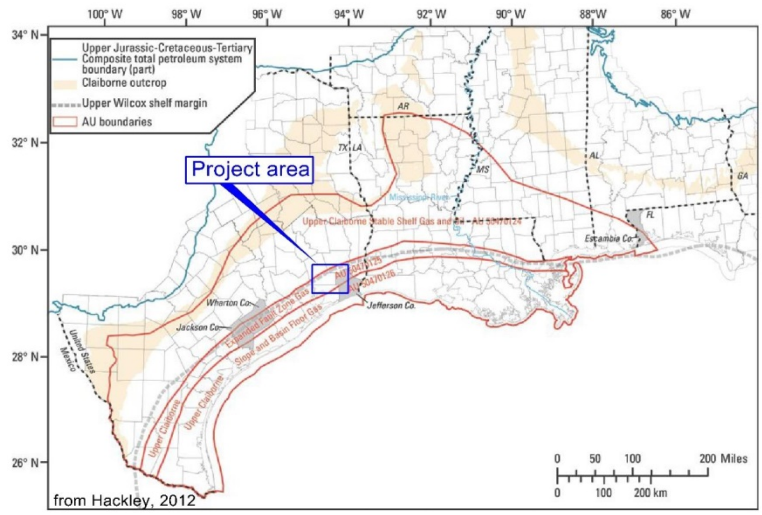
Landowner royalties are 25% and operating expenses plus production taxes total approximately 15% the revenue generated from production.

Remedial work is currently underway to improve production from existing wells and the first new drill is targeted for the third quarter of 2018.

Projects, South East Texas Gulf Coast, Onshore

The project area lies in the Expanded Yegua producing trend of the Texas Gulf Coastal Plain in Liberty, Hardin, and Chambers Counties, Texas, east of Houston. The Yegua is a major reservoir with a long history where gas/condensate (and some oil) production is well established.

Figure 3: Map of Texas showing project area



Project area denoted by the blue square

Drawbridge Holdings licensed 50 square miles of fully processed data from Seitel, Inc. which was then re-processed. The newly merged 3D dataset and advanced processing has identified new and exciting targets in this low risk exploration trend. High-quality, three-dimensional (3-D) seismic data encompassed the project area.

An independent study commissioned by Molopo through its subsidiary Orient, indicates that while the area has been heavily explored and produced, opportunities are still present, especially with the use of modern seismic interpretation technology and integration of all nearby data by Drawbridge Holdings.

The oil and gas industry's exit of the area through the 2008-2010 commodity price down-cycle now provides good leasing opportunities where most acreage is available or “unleased” and leasing is expected to be at favorable terms as landowners have not seen industry activity for about 10 years. Thus, there exists a favorable ground floor entry point via Drawbridge Holdings’ staff experience and use of the latest technology. Thus far there have been identified three 3D evaluated prospects (Leopard, Addax and Bongo) (estimated 22 total wells) and nine mapped prospects (eight in the Yegua trend and one in Cook Mountain – these prospects discussed in the paragraph labelled “Prospects awaiting seismic data” below).

The prospects, per an independent expert’s report commissioned by Orient, as refined by seismic data, are considered low risk (high probability of encountering hydrocarbons) opportunities from a hydrocarbon exploration viewpoint. The probability of geologic success, i.e., the chance of finding moveable hydrocarbons, is probable to most probable. There are however a multitude of risk factors in conventional oil and gas exploration and production. For each location reviewed as a prospect, or potential drill-site, Drawbridge Holdings will assess the geological risk of the following factors:

- Chance of encountering reservoir quality rock;
- Chance of having an effective hydrocarbon seal;

- Chance of having a geologic feature to trap hydrocarbons;
- Chance of having a hydrocarbon source rock that can generate sufficient oil and gas to allow for significant accumulations; and
- Chance of having the required timing and migration of hydrocarbons into traps.

Acreage

Drawbridge Holdings is seeking 100% Working Interest leases with high Net Royalty Interests, where possible. Once wells are drilled and payout plus 8% is achieved the Working Interest to Drawbridge Holdings will revert to 85%. Initially 400 leasehold acres has been obtained and further offers have been issued on another approximately 5,000 acres. This activity will continue in the target area which may encompass up to 40,000 acres. Each drilling prospect will require an acreage block for that location ranging from a minimum of 170 acres to 1,160 acres depending on the sub-surface geology.

Well Ownership and Reversions

Drawbridge Holdings estimates 100% working interest and 72.5% revenue interest on each well. Upon the project cash flow reaching payout plus eight (8.00%) percent on outstanding well investment the after payout well ownerships revert to 85% working interest and 61.625% revenue interest to the interest of Drawbridge Holdings.

Well Costs and Operating Expenses

The total cost to drill, complete, and install production facilities is estimated at USD$3,600,000 per well in these locations. These costs are for 11,600-foot wells with an intermediate casing string. An independent expert has estimated operating expenses to be USD$5,500 per month per well for the first sixty months of production, then decreasing to USD$4,500 per month per well until the end of the well's economic life.

Resources and Economics

Resources and project economics for the first three prospects that Drawbridge Holdings has progressed have been reviewed by an independent expert and details will be provided shortly.

Prospects awaiting seismic data

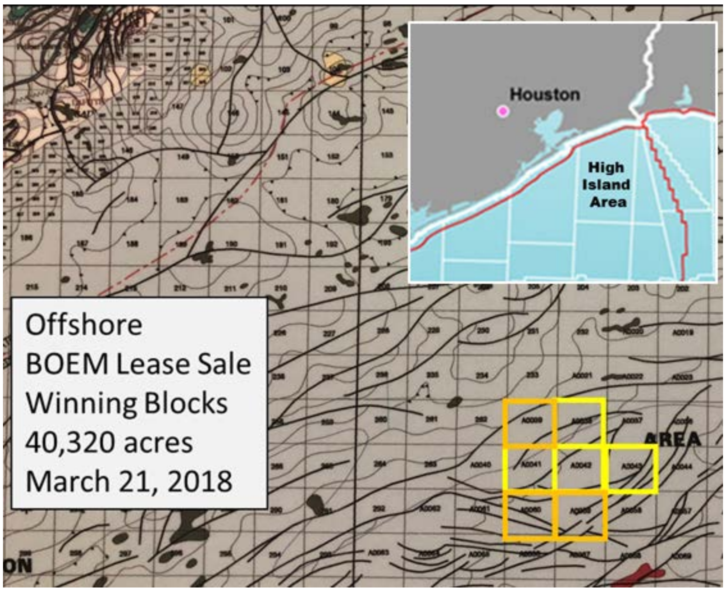
Further resource estimates and project economics were also developed for drilling on the basis of 11 Yegua prospects; these include Addax, Bongo, and Leopard (the 3D prospects), and 8 mapped prospects. Risked mean reserves potential was used. Costs for increased overhead and additional leasing were included along with a total of 52 exploration and development wells. These estimates will be revised and refined as seismic for the areas of interest are reprocessed at the direction of the Drawbridge Holdings team. An initial well is targeted to be drilled in the first quarter of 2019 as acreage, permitting and planning advance.

Projects, South East Texas Gulf Coast, Offshore

On March 21, 2018 Drawbridge Holdings was the successful bidder of seven offshore Gulf of Mexico lease blocks representing 40,320 gross acres. The newly acquired leasehold covers 3 identified prospects.

Three seismically controlled conventional prospects in the prolific Miocene trend were identified with reprocessed 3D dataset where low risk wells in the existing offshore infrastructure can be drilled. They are expected to produce rich gas with condensate and high NGL yield. The shallow but large gas opportunities offer exceptional returns. Available turnkey operations are also an attractive feature.

Figure 4: Diagram showing offshore blocks



Yellow squares denote lease bocks acquired by Drawbridge Holdings in the High Island Area

Following the review of the reprocessed 3D seismic data, the three prospects were identified that could provide up to 25 drilling locations. With that information Drawbridge Holdings acquired a 100% Working Interest in the leases with high, 87.5% Net Royalty Interest. The leases are situated in the High Island Area of the gulf of Mexico, approximately 100 miles from Houston or 50 miles off the coast of Galveston. The water depth in this area is approximately 70 feet. The targeted producing horizons range from 3,500 to 12,700 feet into the subsurface to access pay zone thickness ranging from 50 to 100 feet. The target zones observed are the Pliocene, Cris 1, and Tex W. Depending on various factors including target depth, well costs can range widely from USD$3.0 to USD$6.0 million on a dry hole cost basis.

Projects, Other

The Drawbridge Holdings team is exposed to numerous single and multiple well drilling opportunities. The types of activity will range in capital expense from USD$250,000 - USD$5,000,000 total per project. The intention is to limit Drawbridge Holding's exposure to 25% of any one well. The opportunities are screened for geologic, engineering and economic risks.

Funds will only be invested in known hydrocarbon producing reservoirs to reduce risk and will be primarily located in the Gulf Coast onshore and Mid-Continent basins with focus on conventional reservoirs – consistent with the overall strategy of Drawbridge Holdings. By investing limited capital the team gains geological and environmental knowledge and data about areas of current concern and potential interest for future development. No single investment is intended to be material in relation to the overall size and scope of the Drawbridge Holdings strategy.

Figure 5: Map showing Jackson County Texas, where East Crystal City Prospect is located

The first opportunity is the East Crystal City shallow Frio Prospect in Jackson County, TX. Seismic indicates Frio pay zones at the 7,700, 8,000 and 8,700 feet. The Drawbridge Holdings share of the prospect is 25% and total estimated costs for land/legal, drilling and completion are estimated to be USD$1.6 million. The Drawbridge Holdings participation is then USD$400,000 (25%). This is a seismic driven exploration project where not only are the potential returns very high, but the science provided of great value.

Other projects are likely to follow, with the experienced and deep geophysical and petroleum engineering competencies in place with the Drawbridge Holdings team, the opportunity now exists to actively originate, review and investigate alternate ground floor opportunities. For example, the team has acquired access to an extensive data set for a currently un-delineated shale play. Proprietary science points to the possibility of a large undiscovered shale formation that has not been tested.

This, and similar projects, continue to be in the conceptual stage and at this time considered high risk. Opportunities such as this reside in the higher risk pool of opportunities in the Drawbridge Holdings portfolio. The current investment required for scientific data mining and evaluation for these activities is not estimated to be a material investment. However, should Drawbridge Holdings gain confidence in the prospect-ability of a particular concept, funding "proof-of-concept" activity will be considered by the board.

8. FINANCIAL POSITION OF THE COMPANY, ORIENT AND DRAWBRIDGE

Following completion of the Combination Transaction, Molopo has approximately A$16.904 million available to it as at 31 March 2018. Molopo continues to review investments in line with its core strategy of oil and gas exploration and development.

Orient does not have any ongoing obligations or liabilities, other than shareholder loans from Molopo and other entities within the group. Orient's sole asset is its 30% interest in Drawbridge Holdings.

Drawbridge Holdings' balance sheet as at 31 March 2018 was as follows, including amounts received in respect of the Orient Project:

ASSETS	(Millions USD)
Cash/Current Assets	$ 14.07
Investment Assets	$ 4.31
Other Assets	$ 0.10
	$ 18.49

LIABILITIES & EQUITY	(Millions USD)
Liabilities (Current)	$ 0.29
Equity	$ 18.20
	$ 18.49

Budgeted expenditure for Drawbridge Holdings to 30 September 2018 is as follows:

Estimated Budget	(Millions USD)
Seismic and Processing	$ 1.75
Land/Lease and Property Acquisition	$ 4.00
Drilling and Asset Development	$ 0.50
General Administrative	$ 0.36
	$ 6.61

Currently, the only obligations of Drawbridge are payments due to the Operator of USD$285,000.00. The general and administrative expenses of the Drawbridge oil and gas team are running at approximately USD$60,000.00 per month at present. It is expected that as the projects ramp up, the annual expenses will be a minimum of USD$1,500,000 per annum.

9. DRAWBRIDGE BUSINESS AND STRATEGY

Drawbridge Team

Drawbridge Holdings and its affiliate undertaking, the Operator, were formed in late 2017.

The Operator has the benefit of having Mr Chris Burkard on the team, who was one of only four people who were approved by Kerogen to be an operator in respect of the Orient Project. In addition, Drawbridge Holdings has assembled a world-class investment, commercial and technical team with a Senior Management & Investment Committee which has over 100 years of domestic and international oil & gas experience, who:

- understand the resources in the ground and the latest extraction and delivery technologies;
- have a large relevant network and in-depth knowledge of seller expectations and goals; and
- have a proven track record of generating investment returns across commodity cycles.

Details of the Drawbridge Holdings team are contained in Appendix A.

Drawbridge Holdings Strategy

The current market has created an economically advantageous opportunity for traditional low risk, technically sound, onshore and offshore oil and gas opportunities. The Drawbridge Holdings investment provides a well thought out strategy and an experienced execution team to accomplish long-term growth in shareholder wealth by way of strategic investments in oil and gas assets. The strategy is to identify, acquire, develop and operate conventional oil and gas assets with a primary focus on the Gulf Coast region of the USA and leveraging the team's extensive experience and expertise in conventional oil/gas producing assets providing low risk expansion. Key competitive advantages are as follows:

- **Balanced Portfolio:** The intended portfolio is specifically designed to capture opportunities at various points on the risk spectrum from low cost quick-to-cash flow production, intermediate risk development drilling to exploration opportunities focused on oil and wet gas is intended to provide balanced risk within the oil and gas portfolio.

- **Global Team and Business Infrastructure:** The ability to analyze opportunities and deploy capital quickly supported by dedicated professionals in North America and Europe.

- **Proven Technical Expertise:** Dedicated technical staff with a history of finding and extracting value, enhancing operating performance and managing production/midstream and exploration portfolios through commodity price cycles and volatility.

- **Strong Origination Platform and ample Deal Flow:** Relationships across a breadth of sponsors, public and private companies, management teams and financial intermediaries expected to provide an attractive pipeline of investment opportunities and the ability to recognize quality subsurface/exploration projects that are ready to execute;

- **Timing & Focus:** Fundamentals in the oil price cycle are generating attractive opportunities and fewer dollars chasing opportunities in the conventional arena, this combined with a full, experienced team in place provides an early mover advantage.

Drawbridge Holdings will primarily pursue a Conventional Exploration and Development Strategy

Drawbridge Holdings is largely pursuing a conventional exploration and development strategy.

For shareholders who are unfamiliar with such concepts, conventional resources are[1] concentrations of oil or gas that occur in discrete accumulations or pools. Rock formations hosting these pools traditionally have high porosity and permeability and are found below impermeable rock formations. These impervious layers form barriers to hydrocarbon migration resulting in oil and gas being trapped below them. Conventional oil and gas pools are developed using vertical well bores and using minimal stimulation. Conventional oil and gas pools fall into several categories based on the mechanism responsible for the trapping or pooling of the hydrocarbon:

1. Structural traps whereby broad folds and/or faults lead to concentrations of hydrocarbons;

2. Dome-like structures related to diapiric rise of underlying sediments;

3. Stratigraphic traps where a change in the rock type creates a barrier; and

4. Multiple combinations of the previous processes.

Unconventional Resources are oil or gas-bearing units where the permeability and porosity are so low that the resource cannot be extracted economically through a vertical well bore and instead requires a

[1] As described by the British Columbia Ministry of Natural Gas Development

horizontal well bore followed by multistage hydraulic fracturing to achieve economic production. Unconventional resources fall into two broad categories:

- A widespread, low-permeability and -porosity gas- or oil-charged horizon. If the horizon is composed primarily of shale, it is a “shale gas” or “shale oil” resource; and,

- Low-permeability and -porosity portions of an oil or gas pool that cannot be developed through conventional drilling and completion processes.

Prior to the Barnett Shale in North Texas and future shale “resource plays” almost all oil and gas exploration and development was “Conventional.”

Key risks factors in relation to the Drawbridge Investment

The occurrence of any of the key risks below could have a material adverse effect on the business, results of operations, financial condition and/or prospects of Drawbridge Holdings and accordingly Orient and Molopo:

1. the execution of the business strategy depends significantly on the regulatory policies of US State and Federal bodies, and the ability to obtain requisite permits;

2. the current business of Drawbridge Holdings depends significantly upon prevailing gas (oil) prices, which may be adversely impacted by unfavorable global and national (U.S.) macroeconomic conditions;

3. initially, hydrocarbon production is concentrated in one project/project area;

4. exploration and eventual production are dependent on compliance with and obligations under contracts, licenses, permits, relevant legislation;

5. operations require significant capital expenditure and the future expansion and development could require further debt and equity financing. The future availability of such funding is not certain and the costs of obtaining such finance may be significant and dilutive;

6. oil and gas is a highly competitive industry and there may be significant competition for leasehold rights in the target areas, affecting the cost of said leasehold and the ability to obtain those leasehold rights, for this reason, specific location information is not disclosed when discussing the projects unless the leasing strategy has already been secured;

7. the drilling of oil and gas wells is reliant on contract services such as drilling rigs which may not be available when drilling is intended to commence, as well as completion services and equipment where a shortage may cause delays in activity;

8. significant uncertainties exist in connection with the exploration, appraisal and development activities under consideration and those activities may discover or produce less oil and gas than expected;

9. drilling, exploration and production risks and hazards that may affect ability to produce oil and gas at expected levels, quality and costs; and

10. at present Orient (and therefore Molopo) has limited minority protection rights in respect of its shareholding in Drawbridge Holdings. Removal or resignation of Baljit Johal as a Class A Director of Drawbridge Holdings would mean that a new director would have to be approved by a majority in interest of the Class B shareholders in Drawbridge Holdings. This approval is

discretionary in nature. Failure to obtain such consent would mean that Orient and therefore Molopo would no longer have influence in relation to the affairs of Drawbridge Holdings.

Chapter 11 of the Listing Rules

ASX has raised issues in respect to the Company's compliance with Chapter 11 of the Listing Rules in respect to the Orient transaction. The Company is presently in the process of formalising a response to ASX in respect to Chapter 11 of the Listing Rules (change to the nature or scale of the Company's activities), which will include the Orient transaction and the transactions detailed above, and will provide its response to the ASX in due course.

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.

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.

Appendix A

Details of the Drawbridge Team

The Drawbridge Energy Capital Senior Management & Investment Committee consists of Dr. Alex Kulpecz, Mr. Michael Keener and Mr. Chris Burkard. Details of the operations team are set out below.

Mr. Burkard will manage an Operations Team of highly skilled and experienced professionals including the Geophysicist, Geologist, Reservoir Engineer, Drilling and Completions Engineer, and Land Manager who are all seasoned professionals with 30-plus years of experience with various companies including Anadarko, Hess, BHP, Kerr McGee, Hunt, Getty, Texaco, Chevron, and ConocoPhillips.

SENIOR MANAGEMENT & INVESTMENT COMMITTEE

Dr. Alex Kulpecz

Dr. Kulpecz brings 35 years of experience and a deep technical, managerial and commercial background in subsurface evaluation, risk analysis and all aspects of production operations in the United States, North Sea, Europe, Russia, Middle East, Africa, South America and Asia.

His twenty year career with Shell included Executive Director of Shell International Gas, Power and Coal responsible for Russia, Central & Eastern Europe, Africa and South America comprising midstream businesses (pipelines, storage, power and LNG.) He has acted as an advisor to various firms including Carlyle / Riverstone, McIntyre Partner and Silverpoint Capital as well as an energy consultant to the Boston Consulting Group for Oil & Gas and service company CEOs / owners in India, Asia and Europe.

Dr. Kulpecz' transaction history includes co-orginator of the PetroPlus (NL) refineries, storage and LNG businesses which was taken private and then IPO'd by Riverstone/Carlyle two years later at a substantial profit, the acquisition of initial privatized tranche of Comgas, the natural gas Company of Sao Paulo, Brazil, the acquisition of privatized portion of Bolivia-Brazil Pipeline, Transredes, and was responsible for over 50 Production Sharing Agreements and production contract transactions as well as direct investment in US and African oil and gas start-up entities.

Dr. Kulpecz earned his PHD from Imperial College London in Geology / Petroleum Engineering.

It should be noted that Dr. Alex Kulpecz is recused from decisions regarding the previously announced acquisition of interest (22 August 2017) in Orient which will participate with Kerogen Florida Energy Company, L.P., a subsidiary of Kerogen Energy Holding LLC where he is the Executive Chairman; and further from any other decisions involving Kerogen.

Mr. Michael Keener

Mr. Keener's 37 years of experience provides a long history as an investor and investment manager in the Exploration and Production business as well as oil and gas portfolio and Fund Management. He began his career with Shell and over 22 years gained valuable oil and gas insight with Shell Exploration and Production, trading and money management experience with Shell Oil, and producer financing when assigned the task of initiating Shell's U.S. capital investment business.

Following Shell, Mr. Keener was Principal of Petrobridge Investment Management Oil & Gas Structured Equity Business, and then of KP Energy Management an independent investor and portfolio manager where he was instrumental in the negotiation, structuring and capital outlay of over USD$1 billion in 39 separate transactions.

In addition to being an experienced investor in the energy space, Mr. Keener is the past President of North Texas Oil and Gas Company, has provided oversight as a Director on numerous boards, holds an undergraduate degree in Accounting, and an MBA from Loyola University New Orleans.

Mr. Chris Burkard

Mr. Burkard, an industry veteran of 37 years is the operational driver of the team with exploration experience managing multi-disciplined oil and gas companies, directing technical, managerial and commercial activities in subsurface evaluation, risk analysis and all aspects of production operations.

Following his time as a Commissioned Officer, US Army, Corps of Engineers, 4th Infantry & Area Office, Colorado Springs, CO., Mr Burkard's oil and gas activities include directing the acquisition of 160,000 acres of options and leasehold in conjunction with executing 467 SM 3D shoots in SE Texas, managed operations for joint venture developed projects, drilled and operated vertical Frio-Miocene, Yegua, Wilcox and Woodbine prospects and deep horizontal Austin Chalk wells in Texas. He has managed drilling and production operations in South Louisiana and South East Texas generating over USD$1 billion (PV10) and 500 BCF in net proved probable and possible reserves. He has also managed geological/geophysical exploration teams processing and interpreting seismic data and the horizontal drilling and production operations in the Permian Basin.

Mr. Burkard holds a degree in Nuclear Engineering from Texas A&M university and has fortified that education with significant additional coursework in Petroleum Engineering at A&M and Geology at the University of Colorado. Mr. Burkard also received his MBA from Rice University.

OPERATIONS TEAM

Mr. Burkard will manage an operations team of highly skilled and experienced professionals including:

Engineering

Mr. Robert Elmore, Sr. Engineer, Drilling & Completions, brings forty-six years of experience in oil & gas operations both domestically (US) onshore in Louisiana, Texas, California, Colorado, Montana, New Mexico, North Dakota, Oklahoma, Utah, and Wyoming; offshore Alaska (Cook Inlet), California, and the Gulf of Mexico; and internationally in China (on/offshore), Mexico, the UK North Sea, Venezuela (on/offshore), and Russia (Sakhalin Island.) His vast and varied experience in project engineering and the management of drilling, completions, work overs and coil tubing operations was accumulated through progressively senior positions at Gulf Oil, Aminoil, Phillips, Conoco Phillips, BP, and Chevron. Mr. Elmore holds a B.S. in Petroleum Engineering from Texas A&M University.

Mr. Chris Chang, Sr. Reservoir Engineer is a 40 year industry veteran with experience performing reservoir evaluations for the major shale plays in the USA and Canada as well as coalbed methane projects, conventional Appalachian and offshore Gulf of Mexico valuations. Additional experience includes water floods and CO2 Sequestration projects, and extensive study of the exploration potential of Pumpkin Bay, Bone Island, Wood River and Upper Sunniland play in Southern Florida. Mr. Chang's career path has included positions at Shell, McMoran, Equitable, Anadarko, Dominion/Highmount, Petrohawk/BHP and Kerogen. He earned a BS in Chemical Engineering from Chung Yuan University and an MS in Petroleum Engineering from the University of Wyoming.

Geology and Geophyics

Mr. David Hruzek, Geologist & Geophysicist of 35 years' experience has worked extensively in the Gulf of Mexico including offshore Louisiana and Texas deepwater, shelf, and state waters. In addition, he has exploration experience on shore gulf coast South Texas, East Texas and South Louisiana. Mr. Hruzek has also developed international projects in Peru, West Africa and the Szechwan fold basin

China. In progressive roles from Explorationist, Lead Asset Geoscientist to Exploration Manager he has worked for Mark Producing, Anadarko, Spinnaker Exploration, Energy Partners, and Energy XXI. Mr. Hruzek has earned a Geology/Earth Science degree from Texas A&M University and a BS in Geology from the University of Houston.

Ms. Janice Leyden, Sr. Geologist has evaluated and integrated vast amounts of geologic data over the course of her 38 career. Her experience in reservoir/basin evaluation includes understanding basin tectonics, clay mineralogy, TOC, thermal maturity, geochemical data, and the ability to integrate log and petrophysical analyses resulting reservoir productivity predictions. She has evaluated unconventional potential in Appalachian, Powder River, Big Horn, Green River, Uinta, Paradox, Michigan, Illinois, East Texas and Permian Basins. Ms. Leydens career advanced from Geologist/Petrophysicist to Principal Geologist while working at Dome, Kerr McGee, Hunt, EnerVest, Kerogen, Mariner and Statoil. She holds a BS in Geology with Honors from the University of Manitoba, Winnipeg, Manitoba.

Land/Leasehold

Mr. Joel Loshak, Land Manager is a seasoned executive with 39 years' experience in domestic E&P land acquisition, corporate acquisitions and divestitures, business development & project management. His experience includes lease negotiations, supervising lease acquisition teams, managing land department staffs processing all land, regulatory, drilling and due diligence requirements in both acquisitions and divestitures and reviewed and negotiated contracts and participation agreements. He has experience covering all of Texas, Louisiana, the Rocky Mountains, Southern California, Wyoming, Utah, new Mexico and Canada. Mr. Loshak advanced from Petroleum Landman to Vice President of Land & Business Development while working at Ensearch Exploration, Goldston Oil, Chalker Energy Partners, Hess, Forest, Trail Ridge & Scala. He earned a BA, Petroleum Land Management from The University of Oklahoma, and an MBA from St. Thomas University.

Regulatory, Engineering, Geological & Office Support

Sherry Groves – Senior Reservoir Engineering & Regulatory Technician – Provides 35 years' experience supporting well known exploration & production activities ranging from support for geology, drilling, operations and reservoir engineering and manages regulatory reporting. She has provided her invaluable support to fellow professionals as a multifaceted Engineering Technician while at Getty, Chevron, Bechtel, Torch Operating, Oxy, Aera, Plains and Kerogen Exploration. Ms. Groves has studied Business Management at the University of Phoenix and Accounting at Taft Jr. College.