



Friday, 7 April 2017

Dear Shareholder,

## **Molopo Energy Limited – Important information regarding board spill**

As you may be aware, Molopo Energy Limited (ASX: MPO) is currently the subject of an attempt by a major shareholder to remove all directors of Molopo and appoint its own nominees. The resolutions to change the Board will be considered at the Molopo Annual General Meeting in May and you will have an opportunity to vote on the future Board of Molopo at that time.

The Board has reason to believe that the requisition is a calculated plan by two major shareholders to take control of Molopo and its significant cash balance without paying an appropriate premium for control. We do not want shareholders to be deprived of the value of your shares.

The Molopo Board is appealing to shareholders to ignore calls for a board spill and to stay the course with the existing highly experienced and successful management.

We write to seek your support and return to the more important task of running Molopo. This letter updates you on the latest initiatives by your Board to drive value for shareholders and provides information about the shareholders attempting to take control of your company without offering anything, let alone a premium to shareholders.

The Board of Molopo believes the attempt by Keybridge Capital Limited to gain control of Molopo is opportunistic and not in the best interests of Molopo shareholders.

### **1 Your current Board is focussed on preserving and adding value**

Over recent years, the Board of Molopo has been in a state of flux. The most recent change has been the resignation of Ms Samantha Tough as Chair and Director and my appointment as Managing Director and subsequently Interim Executive Chairman.

Constant board changes can of course be counterproductive for shareholders.

Molopo's Board today is different – cohesive, professional and committed to the Company's unchanged strategy which is to invest in attractive international energy opportunities. Molopo is in a strong position to identify investments in oil and gas assets that will add value for shareholders, consistent with Molopo's business objectives and the expectations of our shareholders.

With deep experience in the oil and gas sector, influential global networks and solid recent history of corporate governance, the current Board believes it remains best qualified to guide the company and that it has the right strategy to deliver the best outcome for shareholders.

Preserving shareholder value has been a key strategy in the face of an uncertain energy market. Over the past two and half years, the Molopo Board has successfully protected and maintained Molopo's \$67M cash reserves whilst successfully executing several initiatives in the interests of Molopo shareholders, including:

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- consolidating the Canadian litigation action to accelerate the process;
- completing the sale of North American assets in the face of a global downturn in the energy industry;
- discontinuing the employee performance share plan;
- implementing professional treasury management of capital and reducing operating costs dramatically; and
- relocating North American operations to Melbourne and closing the Canadian offices.

Given the recent downturn and uncertainty in the energy and oil & gas sector, Molopo is now in a buyer's market where significant value accretive investment opportunities in undervalued assets in the sector are available. Cash has been maintained during a time in which many energy companies have lost significant value. With a strong platform for future growth and an industry focussed Board, Molopo is diligently pursuing value-synergistic opportunities for all shareholders with a firm and disciplined eye on creating value.

## 2 **Who is proposing to make changes to the Molopo Board?**

Keybridge Capital Limited (**Keybridge**) is the shareholder seeking to spill the Molopo Board. Keybridge holds a 19.44% interest in Molopo. Keybridge was itself subject to a board spill only last year when its two major shareholders, Bentley Capital Limited (**Bentley**) and Australian Style Group Pty Ltd (**ASG**) overthrew the Keybridge board. The directors of Keybridge are now Mr Simon Cato, Mr William Johnson, Mr John Patton and Mr Jeremy Kreiwaldt. The directors of Bentley are Mr Farooq Khan, Mr Simon Cato and Mr William Johnson. Mr John Bolton, father of Mr Nicholas Bolton, is the sole director of ASG.

Following this change in management, Keybridge sold Aurora Funds Management Limited (**Aurora**) to an entity controlled by one of the Keybridge directors, Mr John Patton. Since then, Aurora has acquired a 17.89% interest in Molopo. Mr Patton is the Executive Chairman of Keybridge and also a director and the ultimate shareholder of Aurora.

Keybridge and Aurora in aggregate hold a 37.33% interest in Molopo.

Mr Farooq Khan and Mr Nicholas Bolton are known business associates of Keybridge. Mr Bolton has been disqualified by ASIC from acting as a director or taking part in the management of corporations for a period of three years by reason of breach of his duties as a director.

The Molopo Board is concerned that Keybridge and Aurora are working together in order to replace the members of the Molopo Board with their own nominees to deliver effective control of Molopo, at both a board and shareholder level, to Keybridge and Aurora. Their nominees are Mr David Sanders (a lawyer acting for Keybridge), Mr William Johnson (Non-Executive Director of Keybridge) and Mr Anthony Hartnell (lawyer and partner at a law firm Atanaskovic Hartnell of which Mr Jeremy Kriewaldt – a director of Keybridge - is also a partner).

From the circumstances set out above, the Board considers that the architects behind the board spill appear to be Mr Farooq Khan and Nicholas Bolton who may be seeking to launch a quasi-takeover where shareholders may receive no financial benefit or premium if they gain control.

Such actions by Keybridge are not new to Molopo. Shareholders may recall that in November 2014, Keybridge requested resolutions to seek amendments to the Company's constitution be considered by Molopo shareholders to return Molopo's cash balance to certain shareholders. The proposed resolutions were found to be invalid by the NSW Supreme Court.

Molopo has written to Aurora requesting clarification of the relationship between Keybridge and Aurora.

By way of example with respect to the Molopo Board's concerns, Mr John Patton is the Executive Chairman of Keybridge and also a director of Aurora. Mr Patton has communicated to Molopo that there are "Chinese Wall" arrangements in effect which avoid Keybridge and Aurora (via Mr Patton) sharing the same information about Molopo. The Board is not presently convinced that these arrangements are adequate.

Keybridge and Aurora have not presented any commitment as to the future activities or direction of the Company and therefore the Board considers that this presents a substantial risk to the value of Molopo's shares. The Board of Molopo is exploring all legal options to ensure that any change of control occurs on a fair and equitable basis for all shareholders.

### 3 **Timing for AGM**

The Molopo Board has agreed with Keybridge's proposal that the Board requisition resolutions will be considered at the Annual General Meeting, to save the time and cost involved in convening a separate meeting.

Considering this, and recognising the Board's desire for shareholders to understand the relationship between Keybridge and Aurora so that you have sufficient information to properly consider the composition of your Board, the Board has decided to postpone the AGM until 30 May 2017.

The new date for nominations of directors is 18 April 2017. The notice of annual general meeting will be dispatched to shareholders shortly thereafter.

The Board appeals to Molopo shareholders to vote in support of the current Board who are committed to delivering the best possible outcome for all shareholders.

The future of your company and the future value of your shares is at stake, therefore we seek your support.

I urge you to participate in the vote at the forthcoming AGM and have your say in the future of your company.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Alexandre Gabovich', with a long horizontal flourish extending to the right.

Alexandre Gabovich  
Managing Director and Interim Chairman