



MOLOPO ENERGY LIMITED

ASX ANNOUNCEMENT (ASX:MPO)

28 November 2017

The Manager
Company Announcements Office
ASX Limited

RELEASE OF TARGET'S STATEMENT - TAKEOVER BID BY AURORA FUNDS MANAGEMENT LIMITED AS RESPONSIBLE ENTITY OF THE AURORA FORTITUDE ABSOLUTE RETURN FUND

MOLOPO ENERGY LIMITED (ACN 003 152 154) ("Molopo") today releases its Target's Statement ("**Target's Statement**") in response to the off market takeover bid by Aurora Funds Management Limited as responsible entity of the Aurora Fortitude Absolute Return Fund ("**Aurora**") for all the shares in Molopo ("**Aurora Offer**") in compliance with Item 14 of section 633(1) of the *Corporations Act 2001* (Cth).

The Target's Statement accompanies this announcement. It sets out the unanimous recommendation of the Molopo Board that the Molopo shareholders **REJECT** Aurora's Offer, the Board's reasons and other information that is material to Molopo's shareholders in their assessment of Aurora's Offer.

The Target's Statement has been served on Aurora and lodged with the Australian Securities and Investments Commission ("**ASIC**") today.

The Target's Statement will be dispatched by no later than this Friday, 1 December 2017 (noting this includes the additional 2 day extension granted by ASIC) to Molopo shareholders who received Aurora's Bidder's Statement incorporating Aurora's Offer.

Yours faithfully

Andrew Metcalfe
Company Secretary
Molopo Energy Limited
ACN 003 152 154



MOLOPO ENERGY LIMITED

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

You should read this document in its entirety. It contains the recommendations of the Molopo Directors in relation to Aurora's offer to purchase all of your Molopo Shares. If you are in any doubt as to how to deal with it, you should consult your legal, financial or other professional adviser as soon as possible. If you have any questions about the Offer or this document or about how to reject or accept the Offer, please call 1300 090 795 (for calls within Australia) or +61 3 9415 4320 (for calls outside Australia).

TARGET'S STATEMENT

by

MOLOPO ENERGY LIMITED

ACN 003 152 154

The Directors of Molopo Energy Limited

unanimously recommend that you

REJECT Aurora's Offer

by TAKING NO ACTION

FURTHER INFORMATION

Please call 1300 090 795 (for calls within Australia) or +61 3 9415 4320 (for calls outside Australia) between 8.30am and 5.30pm Monday to Friday (AEDT) if you require assistance with rejecting or accepting the Offer.

IMPORTANT NOTICES

Target's Statement

This document is a Target's Statement dated 28 November 2017 and is issued by Molopo Energy Limited ACN 003 152 154 ("**Molopo**") under Part 6.5 Division 3 of the Corporations Act. This Target's Statement sets out the Molopo Board's formal response to the offer made by Aurora Funds Management Limited (ABN 69 092 626 885) as responsible entity of the Aurora Fortitude Absolute Return Fund (ARSN 145 894 800) ("**Aurora**") in its Bidder's Statement.

ASIC and ASX disclaimer

A copy of this Target's Statement was lodged with ASIC and given to ASX on 28 November 2017. Neither ASIC, ASX nor any of their respective officers takes any responsibility for the content of this Target's Statement.

Aurora's information in this Target's Statement

Except where disclosed otherwise, the information in this Target's Statement in relation to Aurora and Aurora's business has been prepared by Molopo using publicly available information including the Bidder's Statement. Molopo and its Directors are unable to verify the accuracy or completeness of that information. Accordingly to the maximum extent permitted by law, Molopo does not make any representation or warranty, express or implied, as to the accuracy or completeness of that information.

No account of personal circumstances

This Target's Statement does not take into account your individual investment objectives, financial situation or particular needs. It does not contain personal advice. Molopo is not licensed to provide financial product advice in relation to Molopo Shares or any other financial products. This Target's Statement should not be relied on as the sole basis for any investment decision in relation to Molopo Shares or Aurora's Offer generally. Your Directors encourage you to obtain independent legal, financial, taxation or other professional advice before deciding whether to accept Aurora's Offer.

Forward looking statements

Some statements in this Target's Statement are in the nature of forward looking statements. You should be aware that these statements are predictions only and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to Molopo as well as general economic conditions and conditions in the financial markets, exchange rates, interest rates and the regulatory environment, many of which are outside the control of Molopo and its Directors. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement.

None of Molopo, any of its officers or any person named in this Target's Statement with their consent or anyone involved in the preparation of this Target's Statement makes any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement or any events or results expressed or implied in any forward looking statement, except to the extent required by law. You are cautioned not to place undue reliance on those statements.

The forward looking statements in this Target's Statement reflect views held only as at the date of this Target's Statement. Molopo has no obligation to disseminate any updates or revisions to any statements to reflect any change in expectations in relation to those statements or any change in events, conditions or circumstances on which any of those statements are based unless it is required to do so under Division 4 of Part 6.5 of the Corporations Act to update or correct this Target's Statement

(ie for certain matters that are material from the point of view of a Shareholder) or under its continuous disclosure obligations under the Corporations Act and the ASX Listing Rules.

Privacy statements

Molopo has collected your information from Molopo's share registry for the purpose of providing you with this Target's Statement. The type of information Molopo has collected about you includes your name, contact details and information on your shareholding in Molopo. The Corporations Act requires the name and address of Shareholders to be held in a public register.

Shareholder enquiries

Molopo has established a Shareholder Information Line which Shareholders may call if they have any queries in relation to Aurora's Offer.

The telephone number for the Shareholder Information Line is 1300 090 795 (for calls within Australia) or +61 3 9415 4320 (for calls outside Australia).

The Shareholder Information Line is available from 8.30pm to 5.30pm (AEDT) from Monday Friday.

Defined terms

Certain terms used in this Target's Statement have defined meanings as set out in Section 9 of this Target's Statement.

No internet site is part of this Target's Statement

No internet site is part of this Target's Statement. Molopo and Aurora maintain internet sites. Any references in this Target's Statement to these or other internet sites are textual references only and the information contained on the sites does not form part of this Target's Statement.

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CHAIRMAN'S LETTER

Dear Molopo Shareholder

On 26 October 2017, Aurora Funds Management Limited (ABN 69 092 626 885) as responsible entity of the Aurora Fortitude Absolute Return Fund (ARSN 145 894 800) lodged its bidder's statement in respect of Aurora's Offer. Aurora is offering \$0.135 (13.5 cents) for each Molopo Share you hold, payable in cash (however capped at \$5 million in the aggregate) and/or the issue of AFARF Units.

The Directors unanimously recommend that you REJECT Aurora's Offer as they consider that Aurora's Offer is inadequate and a significant liquidity risk for Molopo Shareholders.

The Target's Statement sets out the reasons for the recommendation by your Directors to **REJECT** Aurora's Offer. The key reasons for the Directors' recommendations are:

1. The Offer insufficiently values the Company:
 - The Offer Consideration is below the net tangible asset backing per Molopo Share of \$0.183 (18.3 cents).
 - The Offer Consideration provides no premium for control relative to the net tangible asset backing per Molopo Share.
2. Acceptance of the Aurora Offer may cause you to be issued AFARF Units as well as cash. AFARF is a complex hedge fund and the AFARF Units are not listed on any securities exchange and may not be immediately redeemable for cash.
3. The Aurora Offer is hostile and highly conditional.
4. The timing of the Aurora Offer is opportunistic and made at a time when Molopo is advancing its growth strategy in the oil and gas sector.
5. Accepting the Aurora Offer precludes you from accepting the WAM Offer or any Superior Offer from another party (should one emerge during the Offer Period). The WAM Offer is less conditional than Aurora's Offer, and does not include an offer of units in an unlisted hedge fund.
6. There may be tax implications if you accept the Aurora Offer.

I urge you to read this Target's Statement in its entirety and carefully consider Aurora's Offer having regard to your own personal risk profile, investment strategy and tax position, and to seek independent legal, financial, taxation or other professional advice on the action (if any) that you should take in relation to Aurora's Offer.

Your Directors will continue to keep you updated on all material developments with respect to Aurora's Offer and any competing offer including the competing offer that WAM Capital Limited announced on 8 November 2017, that it intends to make.

In the meantime, if you have any questions in relation to this Target's Statement or your shareholding in Molopo, please call our Shareholder Information Line on 1300 090 795 (for calls within Australia) or +61 3 9415 4320 (for calls outside Australia) from 8.30am to 5.30pm (AEDT) From Monday to Friday.

All company announcements are available on our website, www.molopoenergy.com or are available from the ASX announcement platform at www.asx.com.au.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Baljit Johal', with a long horizontal flourish extending to the right.

Baljit Johal
Chairman
MOLOPO ENERGY LIMITED

SUMMARY OF RECOMMENDATION AND REASONS

WHAT DO YOUR DIRECTORS RECOMMEND?

Your Directors unanimously recommend that you

REJECT AURORA'S OFFER, BY TAKING NO ACTION

REASONS WHY YOU SHOULD REJECT AURORA'S OFFER

<p>1. The Aurora Offer insufficiently values the Company:</p> <ul style="list-style-type: none">• The Offer Consideration of \$0.135 is below the net tangible asset backing per Molopo Share of \$0.183• The Offer Consideration provides no premium for control relative to the net tangible asset backing per Molopo Share
<p>2. Acceptance of the Aurora Offer may cause you to be issued AFARF Units as well as cash. You should be concerned about the following in relation to an investment in ARARF Units:</p> <ul style="list-style-type: none">• AFARF is a complex hedge fund with a high risk strategy, an uncertain performance history and features that may not be appropriate for all investors• There may not be a liquid market for AFARF Units, which are not listed on any securities exchange• AFARF Units may not be immediately redeemable for cash
<p>3. The Aurora Offer is hostile and highly conditional</p>
<p>4. The timing of the Aurora Offer is opportunistic and made at a time when Molopo is advancing its growth strategy in the oil and gas sector</p>
<p>5. Accepting the Aurora Offer precludes you from accepting the WAM Offer or any Superior Offer from another party (should one emerge during the Offer Period). The WAM Offer is less conditional than Aurora's Offer, and does not include an offer of units in an unlisted hedge fund</p>
<p>6. There may be tax implications if you accept the Aurora Offer</p>

Further details on each of the reasons for **REJECTING AURORA's Offer** are set out in Section 1.2 of this Target's Statement.

1. REASONS WHY YOUR DIRECTORS UNANIMOUSLY RECOMMEND THAT YOU REJECT AURORA'S OFFER

1.1 Directors' recommendation

As at the date of this Target's Statement, the Directors of Molopo are as follows.

Name	Position
Baljit Johal	Managing Director and Chairman
Matthew Cudmore	Independent Non-Executive Director
Samuel Belzberg	Non-Executive Director
Ronnen Rosengart	Independent Non-Executive Director

Brief profiles of each of your Directors are provided in Section 5.9 of this Target's Statement.

Your Directors unanimously recommend that you REJECT Aurora's Offer.

The reasons for your Directors' unanimous recommendation to **REJECT** Aurora's Offer are set out in Section 1.2 of this Target's Statement.

In evaluating Aurora's Offer, your Directors encourage you to:

- read the whole of this Target's Statement, together with the Bidder's Statement;
- ensure that you understand the consequences of accepting or not accepting Aurora's Offer, as noted in this Target's Statement and the Bidder's Statement;
- consider your alternatives as outlined in Section 3 of this Target's Statement;
- have regard to your individual risk profile, portfolio strategy, taxation position and financial circumstances; and
- seek independent legal, financial, taxation or other professional advice if you are in any doubt as to what you should do in response to Aurora's Offer.

Your Directors will keep you informed of any material developments with respect to Aurora's Offer and any competing offers or proposals, including the competing offer that WAM Capital Limited has announced it intends to make.

1.2 Reasons why you should REJECT Aurora's Offer

Your Directors unanimously recommend that you REJECT the Offer for the following key reasons.

1.2.1 The Offer Consideration insufficiently values Molopo

The consideration being offered by Aurora under the Offer is \$0.135 in cash for each Molopo Share you own (subject to total cash consideration being capped at \$5 million) or AFARF Units (with an equivalent value).

The value of the Offer Consideration is below the net tangible asset backing per Molopo Share of \$0.183. At 24 November 2017, Molopo had a balance of \$42.633 million¹ in liquid assets comprised of \$54.133 million² of cash less current trade creditors of \$100,000 and less the current provision for legal claims brought by 310 ULC being \$8.4 million. It should be noted that under Molopo's investment arrangements in relation to the Orient Project, Molopo has committed to fund certain costs of Orient in relation to the Orient Project, which are described in further detail in section 5.2.

The value of the Offer Consideration provides no premium for control relative to Molopo's net tangible asset backing.

The Directors believe that Aurora's Offer of \$0.135 per Molopo Share is inadequate and does not reflect fair value.

1.2.2 **The Offer may cause you to become a holder of AFARF Units, which may not be suitable for all investors**

There is a risk that, if you accept the Aurora Offer, a significant proportion of the consideration payable to you under the Aurora Offer will be satisfied by the issue of AFARF Units, and not cash.

The cash component of Aurora's Offer is capped at \$5 million in the aggregate for all acceptances. If the cash consideration under all accepted offers exceeds \$5 million, each acceptance will be scaled back on a pro-rata basis, and the excess will be satisfied through the issue of AFARF Units, an unlisted complex hedge fund.

Importantly:

- **once acceptances under the Offer exceed approximately 15% of all Molopo Shares, accepting shareholders will no longer receive all-cash consideration, but will instead be issued part cash and part AFARF Units for their Molopo Shares and will become unitholders in AFARF;**
- **if Aurora's Offer reaches the minimum acceptance condition of 50.1%, only approximately 30% of the Offer Consideration payable to each accepting Molopo Shareholder will be paid in cash, representing approximately \$0.041 (41 cents) cash per Molopo Share; and**
- **if Aurora's Offer leads to the acquisition by Aurora of 100% of the Molopo Shares, only approximately 15% of the Offer Consideration payable to each accepting Molopo Shareholder will be paid in cash, representing approximately \$0.02 (2 cents) cash per Molopo Share.**

¹ Based on Reserve Bank of Australia foreign exchange rates as at 24 November 2017

² Based on Reserve Bank of Australia foreign exchange rates as at 24 November 2017

³ Based on Reserve Bank of Australia foreign exchange rates as at 24 November 2017

The table below sets out examples of the approximate composition of the Offer Consideration that may be payable by Aurora to accepting Molopo Shareholders depending on the level of acceptances:

Percentage of acceptances under Aurora's Offer	Approximate scale back proportion	Cash consideration per Molopo Share	Balance of consideration to be satisfied through issue of AFARF Units
10%	No scale back	\$0.135	\$0.00
25%	40%	\$0.081	\$0.054
50%	70%	\$0.041	\$0.094
75%	80%	\$0.027	\$0.108
100%	85%	\$0.02	\$0.115

AFARF is a hedge fund which may not be suitable for all investors

If you are issued AFARF Units, you will become a unitholder of AFARF. AFARF is a hedge fund with a complex structure and an investment strategy that is subject to various risks and may not be suitable for all investors.

In particular, before making any decision on the Aurora Offer, Molopo Shareholders should be concerned about the following features of AFARF:

1.2.2.1 *Certain aspects of the AFARF investment strategy are considered to be high risk*

Certain aspects of AFARF's investment strategy (as described in Aurora's Bidder's Statement) are considered by the Directors to be complex and high risk. Some of these features are set out below:

(a) *Leverage*

AFARF may utilise leverage as part of its investment strategy up to a targeted maximum of 500% of AFARF's gross asset value. The use of leverage has the potential to multiply the impact of both gains and losses on any particular investment. The use of leverage by AFARF in connection with any particular investment may expose the unitholders to the risk that AFARF will suffer loss in excess of the value of that investment.

(b) *Derivatives*

AFARF may use derivatives for risk management or to create new investment exposures. Derivatives are complex financial instruments, and the holding of derivatives by

AFARF may expose it (and, by extension, its unitholders) to a range of additional risks, including counterparty risk.

(c) *Discretion over investment strategy*

Aurora has a broad discretion over the asset classes and allocations of AFARF, though it has indicated that the primary focus of AFARF is Australian equities. Unitholders are not in a position to influence the investment strategy and asset allocation of AFARF. If a Molopo Shareholder becomes a unitholder of AFARF upon accepting the Offer, the Molopo Shareholder may have its investment exposed to a range of asset classes which it would not have otherwise been exposed to.

(d) *Fees*

Aurora, in its capacity as the responsible entity of AFARF, is entitled to receive certain fees payable out of the assets of AFARF, including a management fee, a performance fee and reimbursement of certain expenses. A summary of the fees Aurora is currently entitled to receive out of assets of AFARF is set out in the table below.

Fee type	Summary
Management Fee	An annual fee of 1.48625% per annum (inclusive of GST), calculated and accrued daily and paid monthly in arrears.
Performance Fee	20.5% (exclusive of GST) of AFARF's outperformance of the benchmark (the RBA cash rate, or any other benchmark that Aurora considers appropriate).
Expense reimbursement	Certain expenses incurred by Aurora are reimbursable to it out of the assets of AFARF. Aurora has estimated total reimbursable expenses of 3.36965% per annum (inclusive of GST).

Under AFARF's constitution, Aurora is entitled to charge higher management and performance fees than set out above, as well as a range of further fees (such as withdrawal fees) which are not currently charged. Aurora may, in future, decide to increase its existing fees or charge the additional fees that it is entitled to under AFARF's constitution. Aurora has indicated that it will give at least 30 days' notice before

making any change that increases or might result in an increase in any fees or charges.

The fees charged by Aurora will be paid out of the assets of AFARF, and will reduce the value of each unit in AFARF. Conversely, there are no direct fees associated with holding Molopo Shares.

1.2.2.2 *AFARF has an uncertain performance history*

The Directors consider that AFARF's recent financial position and performance, as summarised in the Bidder's Statement, may not be favourable for the reasons set out below.

As there is a risk that, if you accept the Aurora Offer, a significant proportion of the consideration payable to you under the Aurora Offer will be satisfied by the issue of AFARF Units rather than cash, you should carefully consider AFARF's performance history prior to making a decision in relation to the Aurora Offer.

(a) *Declining size of AFARF*

The net asset value of AFARF as at 30 June 2017 was \$13,928,245, reduced from \$60,507,719 as at 30 June 2016, representing approximately a 77% reduction of AFARF's net asset value over a 12 month period. Aurora has disclosed that this reduction was primarily due to redemptions by existing unitholders, and that as at 30 September 2017 there were outstanding redemption requests received by Aurora for 7,177,693 AFARF Units (representing approximately 35% of the AFARF Units on issue as at that date), excluding the AFARF Units to be redeemed under redemption requests for the September quarter in accordance with AFARF's redemption guidelines.

(b) *Negative performance of AFARF*

AFARF derived an operating loss before finance costs attributable to AFARF unitholders of \$2,451,285 and \$4,606,417 for the financial years ending 30 June 2017 and 30 June 2016 respectively. This included a net investment loss of \$1,024,660 and \$1,824,692 for the financial years ending 30 June 2017 and 30 June 2016 respectively.

While past investment performance is not necessarily an indicator of future performance, the Directors note that AFARF's investment losses for the past two years are significant relative to the net asset value of AFARF, which Aurora stated in its Bidder's Statement was approximately \$13.5 million on 30 September 2017.

1.2.2.3 ***There may not be a liquid market for units in AFARF***

AFARF is an unlisted registered managed investment scheme. As AFARF Units are not listed on any securities exchange, there may not be a liquid market for AFARF Units. Any holder of AFARF Units who wishes to realise the value of those units in cash may not be able to identify an appropriate buyer, and would be required instead to seek a redemption of those units from Aurora (see below).

While Molopo Shares are currently under a trading suspension, Molopo is listed on the ASX and, if the trading suspension is lifted, the Molopo Shares may be freely traded on-market.

1.2.2.4 ***AFARF Units may not be immediately redeemable for cash***

AFARF's constitution contains provisions relating to the rights of unitholders to redeem their AFARF Units for cash. AFARF Units are not freely redeemable, and may only be redeemed in accordance with AFARF's constitution. AFARF's constitution contains certain restrictions on redemptions, which are set out below.

(a) *Quarterly redemption cycle*

AFARF has disclosed that it considers and processes redemption requests quarterly, at a redemption price based on the net asset value per AFARF Unit on the last Business Day of the quarter in which the requests are received. As such, if you become a holder of AFARF Units and you wish to redeem your units, you will ordinarily not be able to receive your redemption proceeds until at least the end of the calendar quarter in which you make a redemption request.

(b) *Scale-back of redemption requests*

Where the aggregate amount sought to be withdrawn pursuant to redemption requests received from AFARF unitholders in any given calendar quarter exceeds 5% of the total funds under management in AFARF, Aurora may proportionately scale back the redemption requests in that calendar quarter and carry over unsatisfied redemption requests to the next calendar quarter, to be treated as if they were fresh redemption requests made in that quarter.

Aurora's funds under management were approximately \$13.5 million as at 30 September 2017, and it has disclosed that as at 30 September 2017 there were outstanding redemption requests representing \$4,480,315 in outstanding redemption payments (based on the then prevailing redemption price). 5% of Aurora's disclosed funds under management of approximately \$13.5 million is \$675,000, and the quantum of the outstanding redemption requests disclosed by Aurora significantly exceeds this value.

As such, if you become a unitholder of Aurora and you seek to redeem your units, there is a risk that your redemption request may be subject to one or more pro-rata scaled reductions over multiple quarters, which could significantly delay the redemption of those units. Further, as unsatisfied redemption requests are carried over to the next calendar quarter and are treated as fresh redemption requests, the redemption price per unit will be recalculated at the next calendar quarter. This may expose you to the risk that the value of your units will be materially different from their value when your redemption request was initially made.

The performance of the AFARF in 2017 is reflected in the following table (noting that this table has been extracted from Aurora's website at www.aurorafunds.com.au):

2017	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct
Unit Price*	0.7295	0.7438	0.7263	0.6605	0.6402	0.6223	0.6185	0.6126	0.6242	0.6121
Redemption Price	0.7293	0.7436	0.7262	0.6604	0.6401	0.6222	0.6184	0.6125	0.6241	0.6120
Distribution**			0.0074			0.0073			0.0062	

(c) *Suspension of redemptions*

Aurora has disclosed that it may suspend or limit redemption requests where:

- circumstances outside its control, in its opinion, adversely affect its ability to properly or fairly calculate the AFARF Unit price (eg if the assets or relevant currencies are subject to restrictions or if there is material market uncertainty);
- in its opinion (acting reasonably) there is an emergency or other state of affairs which makes it impractical to redeem AFARF Units or may prejudice the remaining investors;
- there is a declaration of a moratorium, or restrictions on trading in a relevant foreign exchange market, in a country in which AFARF has investments;
- AFARF assets cannot be disposed of or withdrawn;
- AFARF's cash reserves fall and remain below 5% for 10 consecutive Business Days or there are insufficient cash reserves available to meet redemptions and pay the operating expenses of AFARF; or
- the law permits AFARF's responsible entity to do so.

There is a risk that, if you become a unitholder of AFARF upon accepting Aurora's Offer, redemptions will be suspended because of the occurrence of one or more of the above events, which will reduce the liquidity of your AFARF Units.

1.2.3 **The Offer is hostile and highly conditional**

The Offer is highly conditional and subject to a number of events that are beyond the control of both Aurora and Molopo. The Offer is subject to 19 Offer Conditions, including the following key conditions:

- a 50.1% minimum acceptance condition (including Aurora's existing holding);
- no Prescribed Occurrences;
- no material litigation;
- no material acquisitions, disposals or certain other significant events;
- no material adverse change; and
- no Superior Proposal.

All Offer Conditions need to be satisfied or waived by Aurora (where capable of waiver) before payment can be made to accepting Molopo Shareholders. There is no certainty that these Offer Conditions will be satisfied or waived prior to the close of the Aurora Offer. Even if Molopo Shareholders accept the Aurora Offer, they will not be paid for their Molopo Shares unless all Offer Conditions are satisfied or waived by Aurora.

1.2.4 **The timing of the Aurora Offer is opportunistic and made at a time when Molopo is advancing its growth strategy in the oil and gas sector**

As stated in previous ASX announcements, the Molopo Board is advancing its growth strategy in the oil and gas sector.

As announced on 22 August 2017, Molopo acquired a 50% interest in Orient FRC Limited, a BVI registered company, that holds certain rights over oil and gas exploration leases in a mature oil province in south-west Florida, USA. Molopo is strongly focused on supporting its investment in Orient to obtain a return on its investment and enhance value for Molopo Shareholders. Further details about Molopo's investment in Orient are set out in Section 5.2.

The Company continues to see significant growth opportunities in the oil and gas sector and is well placed to pursue and capitalise on these other growth opportunities given it has minimal debt and a net cash position of \$54.8 million (as at 30 September 2017 as noted in Molopo's Quarterly Report lodged with ASX on 31 October 2017).

Since 2015, the Board has extensively reviewed many projects and is constantly conducting due diligence on new opportunities in the oil and gas sector. The Board is confident that opportunities will arise in the oil and gas sector and

believes that persisting with this approach is in the best interests of Molopo Shareholders.

Molopo continues to assess other investment opportunities to enhance value for Molopo Shareholders and demonstrate a level of oil and gas operations sufficient, in ASX's opinion, to warrant the resumption of quotation of its securities on the ASX which will ensure liquidity for Molopo Shares (please refer to Section 5.4 for further information on the current suspension of Molopo Shares).

Aurora has disclosed in its Bidder's Statement that, if it is able to gain control of Molopo, it intends (among other things) to cease further investment activity by Molopo in oil or gas exploration projects, and review Molopo's investments in this area with a view to determining how best to realise or otherwise manage them.

This is inconsistent with Molopo's existing business objective of reviewing and, if appropriate, acting on global investment opportunities in the oil and gas sector with a view to investing in assets in low political and economic risk environments. If you accept the Aurora Offer, you will not benefit from Molopo's current growth and investment strategy.

1.2.5 **If you accept the Aurora Offer, you may be unable to accept any other offer that may emerge, including the WAM Offer or any Superior Offer. The WAM Offer is less conditional than the Aurora Offer, and does not include an offer of units in an unlisted hedge fund**

If you accept the Aurora Offer, you will not be able to accept any other Superior Offer from a third party that may arise (including the WAM Offer), unless withdrawal rights are available.

Under section 650E the Corporations Act, a withdrawal right will arise if, after you have accepted the Aurora Offer and the Aurora Offer remains unconditional, Aurora varies the Aurora Offer in a way that postpones, for more than one month, the time which it has to meet its obligations under the Aurora Offer. In the absence of these circumstances, you will not be able to withdraw an acceptance of the Aurora Offer.

On 8 November 2017, WAM announced on ASX that it was intending to make an off-market takeover bid for all Molopo Shares at a bid price of \$0.135 per Molopo Share. As at the date of this Target's Statement, WAM has not lodged a bidder's statement in connection with the WAM Offer. In its ASX announcement of 8 November 2017, WAM specified certain defeating conditions which it indicated the WAM Offer would be subject to. The Directors note that, based on WAM's ASX announcement of 8 November 2017, the WAM Offer has less conditions than the Aurora Offer.

In addition, unlike Aurora's Offer, the WAM Offer does not involve the issue of units in an unlisted hedge fund such as AFARF. WAM's Offer with a bid price of \$0.135 per Molopo Share, will provide Molopo Shareholders with more liquidity than Aurora's Offer.

As WAM has not lodged a bidder's statement in connection with the WAM Offer, the full terms of the WAM Offer are not currently known.

If you accept the Aurora Offer, you will not be able to participate in the WAM Offer, or any other Superior Offer which may later be made, unless withdrawal rights are available.

1.2.6 **There may be tax implications for you if you accept the Aurora Offer**

There is no roll over relief for Molopo Shareholders in respect of any cash or AFARF Units received for the disposal of their Molopo Shares. Given this, acceptance of Aurora's Offer may result in Molopo Shareholders being liable to pay tax on disposal of their Molopo Shares.

2. FREQUENTLY ASKED QUESTIONS

This Section answers some questions you may have about Aurora's Offer. It is not intended to address all relevant issues for Shareholders. This Section should be read together with all other parts of this Target's Statement.

2.1 What is Aurora offering for my Molopo Shares?

Aurora is offering \$0.135 for each Molopo Share you hold, payable in cash and/or through the issue of AFARF Units.

The cash component of Aurora's Offer is capped at \$5 million in the aggregate for all acceptances. If the cash consideration under all accepted offers exceeds \$5 million, each acceptance will be scaled back on a pro-rata basis, and the excess will be satisfied through the issue of AFARF Units.

2.2 Is the Offer different to the intended offer that WAM Capital Limited announced on 8 November 2017?

On 8 November 2017, WAM Capital Limited announced that it intends to make an off-market takeover bid for Molopo and noted certain defeating conditions to the intended offer. Based on WAM's ASX announcement of 8 November 2017, WAM's offer is less conditional than the Aurora Offer and does not involve the issue to Molopo Shareholders of units in an unlisted hedge fund such as AFARF.

As at the date of this Target's Statement, WAM has not yet lodged a bidder's statement in connection with the WAM Offer, and as such the full terms of the WAM Offer are not known.

2.3 What choices do I have in response to Aurora's Offer?

The Directors unanimously recommend that you **REJECT** the Aurora Offer.

However, as a Molopo Shareholder you have two options currently available to you which are briefly described below:

- **REJECT the Aurora Offer** and remain a Molopo Shareholder (unless your Molopo Shares are compulsorily acquired), in which case you do not need to take any action; or
- **accept the Aurora Offer** for all of your Molopo Shares.

Molopo Shares are currently suspended from quotation and will not be traded on-market on the ASX until the suspension is lifted by the ASX. The Directors do not expect that the suspension will be lifted prior to the end of the Offer Period. If the suspension were to be lifted, then as a Molopo Shareholder you could also sell the Molopo Shares on-market through ASX at a price that may be higher or lower than the Offer Consideration.

You are encouraged to read this Target's Statement in full and seek appropriate professional advice if necessary before taking any action in response to the Aurora Offer.

There are implications for you in relation to each of these choices. Those implications are outlined in Section 3 of this Target's Statement.

2.4 What do your Directors recommend?

The Directors unanimously recommend that you **REJECT** the Aurora Offer. The key reasons why the Directors recommend you **REJECT** the Aurora Offer are detailed in Section 1.2.

2.5 What have your Directors done with their own Molopo Shares?

The Directors collectively hold approximately 9% of all Molopo Shares. The intention of the Directors as at the date of this Target's Statement in relation to their Molopo Shares is to **REJECT** the Aurora Offer by taking no action.

The Directors reserve the right to change their intention should new circumstances arise.

2.6 Why isn't an Independent Expert's Report provided with this Target's Statement?

An independent expert's report is not required by law to be included in this Target's Statement. An independent expert's report is only required to be included in a target's statement where the bidder's voting power in the target is 30% or more or if a director of the target company is a bidder or a director of the bidder company.

The Directors consider that the reasons for their recommendation (see Section 1 of the Target's Statement) are sufficiently compelling that it is not necessary for the Company to incur the cost of an independent expert's report in respect of Aurora's Offer.

2.7 How do I REJECT Aurora's Offer?

To **REJECT** the Aurora Offer, you should **DO NOTHING**. You should take **NO ACTION** in relation to all correspondence from Aurora regarding the Aurora Offer.

If you decide to do nothing, you should be aware of the rights of Aurora to compulsorily acquire your Molopo Shares in certain circumstances. Refer to Section 4.5 of this Target's Statement for more information on compulsory acquisition.

2.8 If I accept Aurora's Offer now, can I withdraw my acceptance later?

If you accept Aurora's Offer, you may only withdraw your acceptance if Aurora extends the Offer Period by more than one month while Aurora's Offer is still subject to any Offer Condition.

2.9 Can I accept Aurora's Offer for only some of my Molopo Shares?

No. You cannot accept Aurora's Offer for only some of your Molopo Shares. You may only accept the Aurora Offer for all of your Molopo Shares.

2.10 When do I have to make a decision?

If you wish to accept Aurora's Offer, you must do so before its scheduled closing date. The Aurora Offer is presently scheduled to close at 7.00pm (AEDT) on 19 January 2018 but the Offer Period can be extended in certain circumstances.

See Section 4.7 for details of the circumstances in which the Offer Period may be extended.

2.11 What if I want to sell my Molopo Shares on market?

Molopo Shares are currently suspended from quotation and will not be traded on-market on the ASX until the suspension is lifted by the ASX. The Directors do not expect that the suspension will be lifted prior to the end of the Offer Period. If the suspension were to be lifted, then as a Molopo Shareholder you could also sell the Molopo Shares on-market through ASX at a price that may be higher or lower than the Offer Consideration.

2.12 Can I be forced to sell my Molopo Shares?

You cannot be forced to sell your Molopo Shares unless Aurora is legally allowed to proceed to compulsory acquisition of Molopo Shares. This requires Aurora to acquire at least 90% of all Molopo Shares (under Aurora's Offer or otherwise).

If Aurora does compulsorily acquire the outstanding Molopo Shares you will receive the same consideration for your Molopo Shares that you would have received under the Aurora Offer but it will take longer for you to receive payment from Aurora for your Molopo Shares.

For more information about compulsory acquisition refer to Section 4.5 of this Target's Statement.

2.13 Are there any taxation implications of accepting Aurora's Offer?

A general outline of the taxation implications for certain Australian resident Molopo Shareholders of accepting Aurora's Offer is set out in Section 6 of this Target's Statement. As that outline is general in nature and does not take into account your individual circumstances, you should not rely on that outline as advice for your particular circumstances.

You should also seek your own independent taxation advice as to the taxation implications applicable to your specific circumstances.

2.14 Will Molopo remain listed on the ASX?

As noted in Aurora's Bidder's Statement, if Aurora compulsorily acquires the Molopo Shares (as is its stated intention if it becomes entitled to do so), Aurora will seek to delist Molopo from the ASX. Any proposal to delist Molopo from the ASX will require ASX's consent and may be subject to conditions imposed by the ASX.

If Aurora does not compulsorily acquire Molopo Shares but acquires more than 50.1% but less than 90% of Molopo Shares, its stated intention is to maintain Molopo's listing on ASX, subject to the requirements for listing (including a sufficient spread of investors, level of operations and financial condition) continuing to be satisfied.

2.15 Will Aurora increase its Offer?

Aurora has not declared its Offer to be final. It is open to Aurora to improve the Offer Consideration if it wishes to do so in accordance with section 650B of the Corporations Act.

2.16 What happens if Aurora increases its Offer?

If Aurora improves its Offer Consideration, all Molopo Shareholders who accept Aurora's Offer will be entitled to the improved consideration (whether they accepted Aurora's Offer before or after the Offer Consideration is improved).

2.17 What happens if I accept Aurora's Offer and a Superior Offer is subsequently made by a third party for my Molopo Shares?

If you accept Aurora's Offer, you are only able to withdraw your acceptance if Aurora varies its Offer in a way that postpones for more than one month the time by which Aurora must meet its obligations under its Offer, for example, by extending the Offer Period for more than one month while Aurora's Offer remains conditional.

Accordingly, if you accept Aurora's Offer, you may be unable to accept any other Superior Offer that may emerge, including the WAM Offer if that were to be a Superior Offer.

2.18 What happens if I do nothing?

You will remain a Molopo Shareholder.

If Aurora acquires 90% or more of Molopo Shares and Aurora's Offer becomes unconditional, Aurora has stated that it intends to compulsorily acquire your Molopo Shares. See Section 4.5 of this Target's Statement for more details.

2.19 What are the conditions of Aurora's Offer?

Aurora's Offer is subject to the occurrence of a number of Offer Conditions, which are set out in Section 4.2 of this Target's Statement and section 12.8 of the Bidder's Statement.

2.20 Can Aurora extend the closing date of its Offer?

Yes. Aurora has stated that its Offer remains open until 7.00pm (AEDT) on 19 January 2018. It is possible that Aurora may choose to extend the Offer Period in accordance with the Corporations Act.

In addition, the Offer Period may be extended automatically in certain circumstances. See Section 4.7 of this Target's Statement for details of the circumstances in which the Offer Period can be extended.

2.21 When will I receive payment if I accept Aurora's Offer?

It is important to understand that even if you accept Aurora's Offer, you will not receive any payment unless all of the Conditions are satisfied or waived.

If Aurora's Offer becomes unconditional, you will receive payment for your Shares from Aurora by the earlier of:

- one month after the date of your acceptance of Aurora's Offer or, if Aurora's Offer is subject to a Condition when you accept Aurora's Offer, within one month after the contract arising from your acceptance of Aurora's Offer becomes unconditional; and
- 21 days after the end of the Offer Period.

2.22 What happens if I accept Aurora's Offer and the Offer Conditions are not satisfied or waived?

If the Offer Conditions are not fulfilled or freed before the end of the Offer Period and the Offer Period has not been extended, the Aurora Offer will lapse and your acceptance of the Aurora Offer will be void and of no effect whatsoever.

Acceptances will be cancelled, consideration payable to you for your Molopo Shares will not be paid to you and you will continue to own your Molopo Shares.

2.23 How will I know when Aurora's Offer is unconditional?

Aurora is required to inform Molopo, ASX and Molopo Shareholders as soon as any Conditions are satisfied or waived. Notices from Aurora will be available on Molopo's ASX company announcement platform.

Aurora has set 12 January 2018 as the date on which it will give Molopo and ASX a notice required by law on the status of the Offer Conditions. This date may be extended if the Offer Period is extended.

2.24 What if I have further questions?

You should contact your legal, financial, taxation or other professional adviser. If you have any questions about Aurora's Offer or this document please call the Shareholder Information Line on 1300 090 795 (for calls within Australia) or +61 3 9415 4320 (for calls outside Australia) from 8.30am to 5.30pm (AEDT) From Monday to Friday.

3. YOUR CHOICES AS A MOLOPO SHAREHOLDER

Your Directors unanimously recommend that you **REJECT Aurora's Offer**.

You have the following choices available to you in response to Aurora's Offer.

<p>Option 1</p> <p>REJECT the Aurora Offer</p>	<p>If you do not wish to accept the Aurora Offer or sell your Molopo Shares on market you should DO NOTHING.</p> <p>If you do not wish to accept the Aurora Offer, do not take any action in relation to documents sent to you by Aurora.</p>
<p>Option 2</p> <p>Accept the Aurora Offer</p>	<p>If you accept the Aurora Offer, you:</p> <ul style="list-style-type: none"> • will not receive the Offer Consideration unless and until each Offer Condition is fulfilled or freed; • will not be able to withdraw your acceptance and sell your Molopo Shares except in certain limited circumstances, meaning you may not be able to accept a higher price from a competing bidder if a bid eventuates; and • may be liable to pay capital gains tax, income tax and goods and services tax on the disposal of your Molopo Shares which may have financial consequences for you (refer to Section 6 and section 9 of the Bidder's Statement for further details of the tax consequences of the Aurora Offer). <p>If you wish to accept the Aurora Offer you should refer to the Bidder's Statement for instructions on how to do so. Your Directors encourage you to seek independent financial and taxation advice before making a decision whether or not to accept Aurora's Offer for your Molopo Shares.</p>

Molopo Shares are currently suspended from quotation and may not be traded on-market on ASX. The Directors do not expect that the suspension will be lifted prior to the end of the Offer Period. If the suspension were to be lifted, then as a Molopo Shareholder you could also sell the Molopo Shares on market through ASX (or another trading platform) at a price that may be higher or lower than the Offer Consideration.

4. INFORMATION ABOUT AURORA'S OFFER AND OTHER IMPORTANT ISSUES

4.1 Summary of Aurora's Offer

4.1.1 Offer Consideration

The Offer Consideration under Aurora's Offer is \$0.135 for each Molopo Share, to be paid either in cash and/or by the issue of new AFARF Units of equivalent value.

The cash component of Aurora's Offer is capped at \$5 million in the aggregate for all acceptances. If the cash consideration under all accepted offers exceeds \$5 million, each acceptance will be scaled back on a pro-rata basis, and the excess will be satisfied through the issue of AFARF Units. Where accepting Molopo Shareholders would be entitled to cash consideration, they may instead elect to receive newly issued AFARF Units in lieu of part or all of that cash consideration.

Importantly it should be noted that:

- once acceptances under the Aurora Offer exceed approximately 15% of all Molopo Shares, accepting shareholders will no longer receive all-cash consideration but will instead be issued part cash and part AFARF Units for their Molopo Shares and will become unitholders in AFARF;
- if Aurora's Offer reaches the minimum acceptance condition of 50.1%, only approximately 30% of the Offer Consideration payable to each accepting Molopo Shareholder will be paid in cash (representing \$0.041 cash per Molopo Share); and
- if Aurora's Offer leads to the acquisition by Aurora of 100% of the Molopo Shares, only approximately 15% of the Offer Consideration payable to each accepting Molopo Shareholder will be paid in cash (representing \$0.02 cash per Molopo Share).

4.1.2 Offer Conditions

Aurora's Offer is subject to a number of Offer Conditions which are set out below and in section 12.8 of the Bidder's Statement.

Unless all of these Offer Conditions are satisfied or waived (if capable of waiver) by Aurora before the end of the Offer Period (including any extended Offer Period), then Aurora's Offer will lapse and any Molopo Shareholders who have accepted Aurora's Offer will not receive payment from Aurora. Furthermore, Molopo Shareholders who accept Aurora's Offer will lose the ability to deal with their Molopo Shares including accepting any competing offer, except in certain limited circumstances as described in section 12.13 of the Bidder's Statement.

When considering how these Offer Conditions might affect the prospects of success of Aurora's Offer, you should be aware of the following matters as more fully set out in Section 4.2:

- some Offer Conditions are wholly or partly out of Molopo's control;

- there is no certainty as to whether the Offer Conditions will be satisfied; and
- some Offer Conditions require Molopo to take (or refrain from taking) various actions, where satisfying those Offer Conditions may not be in the interests of Molopo Shareholders.

4.1.3 **Aurora has not yet declared its Offer final**

Aurora has not declared its Offer final. Accordingly, it is open to Aurora to increase the Offer Consideration in response to any competing takeover or other similar proposal from a third party.

If Aurora improves the Offer Consideration, the Corporations Act entitles any Molopo Shareholder who has already accepted Aurora's Offer to receive the benefit of the improved Offer Consideration.

Nevertheless, there are still substantial risks of accepting Aurora's Offer while it remains conditional. See Section 4.3 of this Target's Statement.

4.1.4 **Offer closing date**

Aurora's Offer is scheduled to close 19 January 2018 unless Aurora's Offer is extended or withdrawn.

4.2 **Conditions of Aurora's Offer**

Aurora's Offer is subject the following Offer Conditions occurring during the period commencing on the Announcement Date and ending on the expiry of the Offer Period, which are briefly summarised below with full details of these Offer Conditions set out in section 12.8 of the Bidder's Statement:

- **(50.1% minimum acceptance)** at the end of the Offer Period, Aurora as responsible entity of AFARF has a relevant interest in more than 50.1% (by number) of Molopo Shares on issue at that time;
- **(regulatory approvals)** all regulatory approvals or consents that are required by law, or by any applicable regulator are in place and do not become subject to any notice, intimation or indication of intention to revoke, suspend, restrict, modify or not renew the same;
- **(no regulatory action)** no order or decree made by, no action or application made to, any applicable regulator in consequence of or in connection with the Aurora Offer (other than a determination by ASIC or the Takeovers Panel in exercise of the powers and discretions conferred by the Corporations Act or an application for such a determination) which may materially adversely impact the Aurora Offer;
- **(no Prescribed Occurrences)** no Prescribed Occurrences occur in relation to Molopo and its share capital (for example, Molopo entering into a buy-back agreement or granting options over its shares);
- **(no material transactions)** no material acquisitions, disposals, significant events or commitments over \$2 million occurs, other than in relation to any proposed

transaction which has been reasonably disclosed publicly before the Announcement Date;

- **(no material adverse change)** no material adverse change occurs, is discovered or becomes public which has or could reasonably be expected to have a material adverse effect on Molopo and its subsidiaries taken as a whole;
- **(no material failings in filings)** no material misstatements in documents filed by or on behalf of Molopo or any subsidiary of Molopo with any applicable regulator, and no material failure by Molopo or any subsidiary of Molopo to provide information to any applicable regulator where required to do so by law;
- **(no exercise of certain rights)** no person exercising certain rights under any agreements or instruments to which Molopo or any subsidiary of Molopo is a party which results in, to an extent that is material in the context of Molopo as a whole, any money borrowed by Molopo or any subsidiary becoming repayable or subject to early repayment, any such agreement being terminated or modified, the interest of Molopo or any subsidiary in any joint venture or other entity being terminated or modified or the business of Molopo or a subsidiary with any other person being adversely affected, amongst other things;
- **(conduct of business)** none of Molopo and any body corporate which is or becomes a subsidiary of Molopo, without the written consent of Aurora, taking certain specified actions, including the declaration of a dividend, the alteration of rights attaching to shares, effecting a change to its constitution, appointing an additional director, and conducting business outside of the ordinary course, among other things;
- **(no break/inducement fees)** none of Molopo and any body corporate which is or becomes a subsidiary of Molopo, pays or agrees to pay or provide any benefit to any person, or forgoes or otherwise reduces any payment or benefit or agrees to forgo or reduce any payment or benefit to which it would otherwise be entitled, in connection with any person making or agreeing to participate in, or enter into negotiations concerning a takeover bid for Molopo or any body corporate which is or becomes a subsidiary of Molopo, or, any other proposal to acquire any interest in shares or assets of Molopo or a body corporate which is or becomes a subsidiary of Molopo, except in certain limited circumstances;
- **(no force majeure event)** no force majeure event occurs which has or is likely to have an adverse effect on the assets, liabilities, financial position, performance, profitability or prospects of Molopo and its subsidiaries taken as a whole;
- **(non-existence of certain rights)** no person has any right as a result of Aurora acquiring Molopo Shares to acquire, or require Molopo or a subsidiary of Molopo to dispose of, or offer to dispose of, any material asset of Molopo or a subsidiary of Molopo, or to terminate or vary any material agreement with Molopo or a subsidiary of Molopo;
- **(no Superior Proposal)** no Superior Proposal is announced during the Offer Period;
- **(no new material shareholders)** no person other than Aurora or an associate of Aurora gains 10% or more of the voting power in Molopo;

- **(no market movement)** if Molopo Shares are reinstated to quotation on ASX, neither the All Ordinaries Index nor the S&P/ASX 200 Index falls to 10% or below its level as at the close of trading immediately preceding the Announcement Date for a duration of longer than three consecutive ASX trading days;
- **(no material share price movement)** the closing sale price of a Molopo Share on ASX is below \$0.11 for three consecutive trading days;
- **(no material litigation)** (a) none of Molopo or any subsidiary is subject to any material claims or litigation (ie may result in a judgement of \$100,000 or more) other than those which have been fully and fairly disclosed to ASX prior to the Announcement Date, (b) nor are there any material claims, litigation or regulatory action which may require Aurora to increase the consideration under the Aurora Offer or result in Aurora or an associate of Aurora to pay any amount to one or more Molopo Shareholders in connection with the Aurora Offer, and (c) the aggregate liability of Molopo and any body corporate which is a subsidiary of Molopo under any existing claim or proceeding is likely to be materially more than the provision made for the claim or proceeding in Molopo's last audited financial statements, or if no provision is made, is likely to be more than \$100,000; and
- **(no breach of Takeovers Panel orders)** none of the Molopo Shares vested in the Commonwealth in accordance with the orders made on 7 July 2017 by the Takeovers Panel in the matter of Molopo Energy Limited 03R, 04R & 05R are sold to Aurora in consequence of an Aurora Offer in respect of the shares being accepted by or on behalf of the Commonwealth in contravention of the orders (as modified or replaced).

4.3 Other risks of accepting Aurora's Offer

4.3.1 You generally lose the ability to deal with your Molopo Shares

If you accept Aurora's Offer you are only able to withdraw your acceptance in the following limited circumstance.

If Aurora varies the Aurora Offer in a way that postpones for more than one month the time by which Aurora must meet its obligations under the Aurora Offer. This will occur if Aurora extends the Offer Period by more than one month and Aurora's Offer is still subject to one or more Offer Conditions.

Accordingly, if you accept Aurora's Offer now while it is conditional, some of the consequences include the following (subject to your right to withdraw your acceptance of Aurora's Offer in the limited circumstance described above):

- you will give up your rights to sell your Molopo Shares on ASX (if Molopo Shares were reinstated to quotation during the Offer Period) or otherwise deal with them; and
- you will relinquish control of your Molopo Shares and the rights attaching to them to Aurora with no guarantee of payment until Aurora's Offer becomes unconditional.

The effect of acceptance of Aurora's Offer is set out in 12.6 of the Bidder's Statement. Molopo Shareholders should read these provisions in full to understand the effect that acceptance will have on their ability to exercise the

rights attaching to their Molopo Shares and the representations and warranties which they give by accepting Aurora's Offer.

Molopo Shareholders should note that on Aurora's Offer, or any contract resulting from the acceptance of Aurora's Offer, becoming unconditional, Aurora will be entitled to attend meetings of Molopo and vote on their behalf in respect of their Molopo Shares to defeat resolutions relating to competing offers which may adversely affect the success of Aurora's Offer.

4.4 Consequences of Aurora acquiring less than 90% of Molopo

If Aurora acquires more than 50.1% but less than 90% of the Molopo Shares then, assuming all Conditions to Aurora's Offer are satisfied or waived, Aurora will acquire a majority shareholding in Molopo.

In those circumstances Molopo Shareholders who do not accept Aurora's Offer will become minority shareholders of Molopo. This has a number of possible implications, including that Aurora will be in a position to cast the majority of votes at a general meeting of Molopo. This will enable it to control the composition of Molopo's Board of Directors and senior management and control the strategic direction of the businesses of Molopo and its subsidiaries.

In addition, if Aurora acquires 75% or more of the Molopo Shares it will be able to pass a special resolution at a meeting of Molopo Shareholders. This would enable Aurora, among other things, to pass amendments to Molopo's constitution.

If Aurora's Offer lapses or if Aurora acquires less than 50.1% of Molopo's Shares, you will remain a Molopo Shareholder and will continue to enjoy the rewards and be subject to the risks of being a Molopo Shareholder.

4.5 Compulsory acquisition

4.5.1 Compulsory acquisition following Aurora Offer

Aurora states in its Bidder's Statement that if it becomes entitled to proceed to compulsorily acquire outstanding Molopo Shares at the end of the Offer Period under Part 6A.1 of the Corporations Act, Aurora intends to do so.

Under Part 6A.1 of the Corporations Act, Aurora will be entitled to compulsorily acquire any Molopo Shares in respect of which it has not received an acceptance of its Offer on the same terms as Aurora's Offer if, at the end of the Offer Period:

- Aurora and its Associates have a relevant interest in at least 90% (by number) of the Molopo Shares; and
- Aurora and its Associates have acquired at least 75% (by number) of the Molopo Shares that Aurora offered to acquire (excluding Molopo Shares in which Aurora or its Associates had a relevant interest at the date of Aurora's Offer and also excluding any Molopo Shares issued to an Associate of Aurora during the Offer Period).

If these thresholds are met, Aurora will have one month after the end of the Offer Period within which to give compulsory acquisition notices to Shareholders who have not accepted Aurora's Offer.

4.5.2 **Future compulsory acquisition by Aurora**

Even if Aurora does not satisfy the compulsory acquisition threshold referred to in Section 4.5.1 of this Target's Statement, it is possible that Aurora will, at some time after the end of the Offer Period, become the beneficial holder of 90% of the Molopo Shares. Aurora would then have rights to compulsorily acquire Molopo Shares not owned by it within six months of becoming the holder of 90%. The price for compulsory acquisition under this procedure would have to be considered in a report of an independent expert.

4.5.3 **Challenging compulsory acquisition**

Molopo Shareholders have statutory rights to challenge any compulsory acquisition. However a successful challenge will require the relevant Molopo Shareholders to establish to the satisfaction of a court that the terms of Aurora's Offer do not represent fair value for the Molopo Shares. If Molopo Shares are compulsorily acquired, Molopo Shareholders who have their Molopo Shares compulsorily acquired are not likely to receive payment from Aurora until at least one month after the compulsory acquisition notices are dispatched to them.

4.6 **Risks of status quo**

If the Offer Conditions are not satisfied or waived by the end of the Offer Period, Aurora's Offer will lapse and Molopo will remain an independent ASX listed company.

If the Offer Conditions are satisfied or waived by the end of the Offer Period but Aurora acquires less than 50% control of Molopo, Molopo will remain an independent ASX listed company.

If Molopo remains an independent ASX listed company but the Board fails to successfully execute the growth initiatives and other strategies it has underway to realise value for Shareholders (refer to Section 5 of this Target's Statement), Shareholders who do not accept Aurora's Offer or any other offer will have foregone the opportunity to realise value for their Molopo Shares as provided for in those offers.

4.7 **Procedural aspects of Aurora's Offer**

4.7.1 **Extension of Offer Period**

Aurora has stated that its Offer remains open until 7.00pm (AEDT) on 19 January 2018. It is possible that Aurora may choose to extend the Offer Period in accordance with the Corporations Act.

The Offer Period will also be extended automatically by 14 days if Aurora increases the Offer Consideration during the last 7 days of the Offer Period.

4.7.2 **Notice of status of Conditions**

Section 12.12 of the Bidder's Statement indicates that Aurora will give a Notice of Status of Conditions to the ASX and Molopo on 12 January 2018.

Aurora is required to set out in the Notice of Status of Conditions:

- whether the Aurora Offer is free of any or all of the Conditions;

- whether, so far as Aurora knows, any of the Conditions have been fulfilled on the date the notice is given; and
- Aurora's voting power in Molopo.

If the Offer Period is extended by a period before the time by which the Notice of Status of Conditions is to be given, the date for giving the Notice of Status of Conditions will be taken to be postponed for the same period. In the event of such an extension, Aurora is required, as soon as practicable after the extension, to give a notice to the ASX and Molopo that states the new date for the giving of the Notice of Status of Conditions.

If a Condition is fulfilled (so that the Aurora Offer becomes free of that Condition) during the Bid Period but before the date on which the Notice of Status of Conditions is required to be given, Aurora must, as soon as practicable, give the ASX and Molopo a notice that states that the particular Condition has been fulfilled.

4.7.3 **Withdrawal of Aurora Offer**

Aurora may not withdraw the Aurora Offer if you have already accepted it (although the Conditions may not be fulfilled and the Aurora Offer may lapse if those Conditions are not freed). Before you accept the Aurora Offer, Aurora may withdraw the Aurora Offer with the written consent of ASIC and subject to the conditions (if any) specified in such consent.

4.7.4 **Effect of acceptance**

If you accept Aurora's Offer then, unless withdrawal rights are available (see below) and you exercise these rights, you will give up your right to sell your Molopo Shares on market (if and when ASX lifts suspension) or to sell your Shares to WAM or any other person that may make a takeover bid, or to otherwise deal with your Shares in any manner.

4.7.5 **Limited ability to withdraw your acceptance**

If you accept Aurora's Offer, you may only withdraw your acceptance of Aurora's Offer if Aurora varies its Offer in a way that postpones for more than one month the time when Aurora needs to meet its obligations under the Aurora Offer. This will occur if Aurora extends the Offer Period by more than one month and the Aurora Offer is still subject to Conditions.

4.7.6 **Timing for receipt of payment if you accept**

Under the terms of its Aurora Offer, Aurora will not make payment for any Molopo Shares accepted into the Aurora Offer until the Aurora Offer becomes unconditional.

If Aurora's Offer becomes unconditional, you will receive payment from Aurora by the earlier of:

- one month after the date of your acceptance of Aurora's Offer or, if the Aurora Offer is subject to a Condition when you accept the Aurora Offer,

within one month after the contract arising from your acceptance of Aurora's Offer becomes unconditional; and

- 21 days after the end of the Offer Period.

Refer to Section 12.7 of the Bidder's Statement for further details on when you will receive payment from Aurora.

4.7.7 Effect of an improvement in Offer Consideration for Molopo Shareholders who have already accepted

If Aurora improves its Offer Consideration, all Molopo Shareholders, whether or not they have accepted Aurora's Offer before that improvement, will be entitled to the benefit of that improved Offer Consideration.

4.7.8 Lapse of Aurora's Offer

Aurora's Offer will lapse if the Conditions are not satisfied or waived by the end of the Offer Period, in which case all contracts resulting from acceptance of Aurora's Offer and all acceptances that have not resulted in binding contracts are void. In that situation you will remain a Molopo Shareholder and will be free to deal with your Molopo Shares as you see fit.

5. INFORMATION ABOUT MOLOPO

5.1 Overview of Molopo

Molopo is an Australian company registered in New South Wales and has been listed on the Australian Securities Exchange since 1986.

Molopo is focussed on actively pursuing oil and gas investment opportunities globally and in line with this strategy the Company recently acquired a 50% interest in Orient FRC Limited (described in Section 5.2 below) and continues to assess other opportunities that will enhance Shareholder value.

5.2 Orient Project

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

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

Details relating to Molopo's investment in the Orient Project were previously disclosed to ASX on 22 August 2017, including details of certain costs which Orient is responsible for in relation to the Orient Project and which the two shareholders of Orient (including Molopo) are required to fund in equal shares. These costs include 100% of drilling and completion costs (which were estimated at US\$3.2 million per well based on estimated current costs at the time of the 22 August 2017 ASX announcement) together with numerous other costs referenced in the ASX announcement 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 Project Agreement. In addition, in order for Orient to become an operational company, it will have to engage employees and incur regulatory/licensing costs in connection with obtaining all relevant licenses and permits to operate its business.

5.3 Cash and liquid investments

As reported in Molopo's latest Quarterly Report lodged on the ASX on 31 October 2017, as at 30 September 2017, Molopo held AUD\$54.8 million in cash reserves earning interest revenues during the quarter of AUD\$304,000 from treasury management of AUD\$40 million that was held on term deposit.

5.4 Suspension of Molopo Shares from trading on ASX

On 7 June 2017, Molopo announced that ASX had advised Molopo that it requires Molopo to demonstrate by 31 July 2017, a level of oil and gas operations sufficient, in ASX's opinion, to warrant the continued quotation of its securities. In the event the level of Molopo's operations was not sufficient to warrant the continued quotation of its securities by 31 July 2017,

Molopo Shares would be placed into suspension until such time that the ASX is satisfied that Molopo has completed an acquisition or investment to meet the ASX Listing Rule requirements.

Further and prior to completing any material acquisition or investment, Molopo will need to consult with ASX so that ASX may advise whether it considers ASX Listing Rule 11.1 applies (ie whether shareholder approval must be obtained for the acquisition or investment or whether Molopo needs to re-comply with the requirements of Chapters 1 and 2 of the ASX Listing Rules).

The Orient transaction was not considered a material acquisition or investment, however, the transaction alone did not represent a level of oil and gas operations sufficient, in ASX's opinion, to warrant the continued quotation of its securities. Therefore, Molopo Shares have continued to be suspended from trading on ASX from that date until Molopo is able to meet the requirements of the ASX. The Directors do not expect that the suspension will be lifted prior to the end of the Offer Period.

In line with Molopo's current strategy, the Directors continue to assess new investment opportunities in the oil and gas sector that will not only enhance value for Molopo Shareholders but will ensure that Molopo Shares are reinstated to quotation by the ASX.

5.5 No material change in financial position

Molopo's last published financial statements are for the half year ended 30 June 2017, as set out in Molopo's Interim Financial Report lodged with ASX on 11 September 2017. The financial statements were reviewed by Molopo's independent auditor.

Molopo lodged its latest audited annual financial statements for the full year ended 31 December 2016 with the ASX on 31 March 2017.

Except as disclosed in this Target's Statement and in any announcement made by Molopo to ASX since 11 September 2017, the Directors are not aware of any material change to the financial position of Molopo since 30 June 2017.

5.6 Strategic initiatives

As Molopo has announced since 2015, the primary strategy of Molopo is to actively pursue oil and gas investment opportunities. Molopo has made significant progress in implementing its growth strategy. As noted above, Molopo has recently acquired a 50% interest in Orient and has assessed and undertaken due diligence on one other opportunity, and reviewed a number of opportunities in the oil and gas sector in the past six months.

5.7 Material litigation

5.7.1 Litigation commenced by Keybridge

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

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

Molopo and acting contrary to the interests of members as a whole. On 2 November 2017, pursuant to Molopo's application, orders were made transferring both proceedings to the Supreme Court of Victoria.

Keybridge is seeking numerous orders including, among other things, the institution of proceedings against the directors responsible for Molopo entering into the Orient transaction, the appointment of a receiver and manager of all of Molopo's property and Molopo be restrained from taking further steps including the expenditure of funds in relation to the transaction to acquire shares in Orient.

The Directors are of the view that if the orders sought by Keybridge were granted by the Court, this would cause significant disruption, harm and damage to Molopo's operations and would be detrimental to the interest of Molopo's Shareholders, including jeopardising its investment in Orient and its participation and return on its investment in oil and gas exploration and development in a mature oil province in South Florida, US. However, the Directors are committed to the Orient transaction as it has potential to generate substantial returns and enhance value for Molopo and its shareholders, and accordingly, the proceedings will be vigorously defended by Molopo.

5.7.2 **Litigation commenced by 3105682 Nova Scotia ULC**

The Directors continue to manage the legal action in Canada concerning Molopo and Molopo Energy Canada Ltd (**MECL**), a wholly owned subsidiary of Molopo, which relates to the sale by MECL of its interests in various oil and gas assets on 1 March 2011. This litigation is the result of the consolidation of three previous court proceedings.

The Directors have continued their endeavours to resolve the litigation however, these efforts have not been successful to date, other than in relation to one of the three actions which was discontinued by the plaintiff, 310 ULC, prior to the consolidation of the remaining two proceedings.

A summary of outstanding legal claims are as follows:

5.7.2.1 One of MECL's former joint venture partners (310 ULC) commenced legal action in 2011 against MECL claiming MECL breached various agreements relating to the relevant joint venture, including breach of fiduciary duties, trust and good faith. 310 ULC has sought declarations, accountings, damages of 25% revenue, C\$39 million (AUD\$35.9 million) general damages, C\$1 million punitive and aggravated damages, interest, GST and indemnity costs.

The Molopo group has made a C\$8.4 million (AUD\$8.6 million) provision in its half year financial statements for the financial year ended on 30 June 2017 in relation to this litigation. Molopo, as parent company, is not party to these proceedings.

5.7.2.2 310 ULC also commenced legal action in 2013 against the purchaser of MECL's interests in the assets, Legacy Oil & Gas Inc, as successor in title to MECL, claiming that Legacy continued some breaches allegedly committed by MECL and committed further breaches of the agreements relating to the relevant joint venture, including breaches of fiduciary duties, trust and good faith. 310 ULC has

sought declarations, accountings, damages of 25% revenue, C\$90 million (AUD\$92.3 million) general damages, C\$1.0 million punitive and aggravated damages, interest, GST and indemnity costs.

Legacy has issued a third-party notice to both MECL and Molopo based on indemnities provided by MECL to Legacy in the sale agreement between MECL and Legacy, and a guarantee provided by Molopo to Legacy in relation to MECL's obligations under the sale agreement. In June 2015, Legacy was acquired by Crescent Point Energy Corporation, an oil and gas company based in Calgary, Canada. Molopo has not been required to file defences to the third-party claim.

5.7.3 **Takeovers Panel proceedings**

Molopo made an application to the Takeovers Panel on 11 April 2017 which sought a declaration of unacceptable circumstances in relation to, amongst other things, the conduct of two of its substantial shareholders, Keybridge and Aurora Funds Management Limited. An application was also made by ASIC.

On 10 July 2017, the review Panel announced various orders including that Aurora and Keybridge had acted in concert and are associates in relation to Molopo and found that Aurora and Keybridge contravened Chapters 6 and 6C of the Corporations Act and ordered that none of Aurora and Keybridge or their respective associates may, directly or indirectly, acquire any shares in Molopo before the date that is six months after the date of the Panel's orders made on 7 July 2017.

On 11 September 2017, Aurora announced that it had applied to the Federal Court of Australia for judicial review of the Takeovers Panel decision with Molopo being a respondent in the proceedings with these proceedings currently ongoing. The matter has been set down for hearing on 22 or 23 October 2018.

5.8 **Key risks faced by Molopo**

There are various risks associated with continuing to hold Molopo Shares. Some of these risks are specific to Molopo and its business while others are risks of a more general nature that may apply to any investment in a listed company.

The list of risks summarised below is not exhaustive and does not take into account the personal circumstances of Molopo Shareholders. Molopo Shareholders should seek professional advice if they are in doubt about the risks associated with accepting or rejecting the Aurora Offer, having regard to their investment objective and financial circumstances.

5.8.1 **Continued suspension from quotation of Molopo Shares**

As noted in Section 5.4, Molopo Shares will continue to be suspended from quotation on the ASX until Molopo satisfies ASX (in its opinion) that it has a level of oil and gas operations sufficient to warrant the continued quotation of its securities.

There is a risk that Molopo may not be able to meet this requirement in the near future or at all, such that Molopo Shares will continue to remain suspended from

quotation and may not be traded on the ASX. This may adversely affect Molopo Shareholders as this will reduce the liquidity of Molopo Shares.

5.8.2 **Litigation**

Molopo and its subsidiaries are currently the subject of ongoing litigation in the courts of Canada, Victoria and New South Wales. Details of the nature and status of the claims brought against Molopo and its subsidiaries are summarised in Section 5.7 above, and have been disclosed to the market by Molopo through its ASX announcements.

The Directors believe that Molopo has appropriately provisioned the expected costs of managing the litigation in its financial statements, and the Directors will endeavour to manage all ongoing claims in the manner they consider most likely to minimise their financial impact on Molopo (including by obtaining appropriate legal advice). However, all litigation carries inherent risk, and the Directors and Molopo's legal advisers are not able to predict the outcome of these claims with certainty.

There is a risk that, despite all actions being taken by the Directors and Molopo's legal advisers, the outcome of one or more of the outstanding claims is more unfavourable to Molopo than expected. This includes the risk that Molopo and its subsidiaries may suffer greater loss than expected in relation to one or more outstanding claims, whether caused by an increase in expected legal costs, an unfavourable judgement by an applicable court, or otherwise.

5.8.3 **Orient Project**

As announced on 22 August 2017, Molopo completed the acquisition of 50% of the shares in Orient FRC Ltd for US\$7 million (AUD \$8.75 million based on \$0.80 AUD/US exchange rate). A more detailed summary of the Orient Project is set out in Section 5.2 above.

While the Directors are optimistic about the success and profitability of the Orient Project, there is no guarantee that the Orient Project will generate a return on Molopo's investment. The profitability of the Orient Project will vary depending on a number of factors, including the size and quality of any resource deposits identified, the competence of management, the funding of the Orient Project and the continued co-operation of the joint venture parties.

5.8.4 **Exploration risk**

The business of oil and gas exploration, project development and production, by its nature, contains elements of significant risk with no guarantee of success. Investment by Molopo in exploration does not provide any certainty that there will be discovery of reserves of petroleum or gas. If petroleum or gas is discovered within any leases to which Molopo or a subsidiary of Molopo has an interest, there is no certainty that such hydrocarbon discoveries will be economically recoverable. Therefore, there is a risk that there may not be a commercial return on the capital invested by Molopo in exploration. If Molopo is successful in the discovery of economic reserves of petroleum or gas, development and production from reserves will be subject to technical, financial, legislative and other factors prevailing at the time. These factors will affect the decision to proceed to production and the profitability of recovery.

5.8.5 **Reserves**

There are numerous uncertainties inherent in estimating quantities of reserves, including many factors beyond the control of Molopo. In general, estimates of economically recoverable oil and natural gas reserves are based upon a number of variable factors and assumptions, such as comparisons with production from other producing areas, reliance on opinions provided by experts, the assumed effects of regulation by governmental agencies, assumptions regarding future oil and gas prices and future operating costs, all of which may vary considerably from actual results. Actual production with respect to reserves may vary from estimates and such variances could be material.

5.8.6 **Operational risks**

Acquiring, developing and exploring for oil and gas involves certain operational risks. These risks include encountering unexpected formations or pressures, premature declines in reservoirs, blow-outs, equipment failures and other accidents, cratering, uncontrollable flows of oil, gas or well fluids, remoteness of properties, restrictions on access, adverse weather conditions, the effect of climate on operations, pollution, other environmental risks, terrorist attacks, fires and spills. As protection against operating hazards, Molopo maintains insurances against some, but not all, potential losses. However, the nature of these risks is such that liabilities could exceed policy limits, in which event Molopo could incur significant costs that would have a material adverse effect on its financial condition.

5.8.7 **Funding requirements**

If development, appraisal or exploration costs in relation to any of Molopo's projects or proposed projects, are higher than expected, this will negatively impact future cash flows and further financing may be required to carry out Molopo's objectives. If further financing is necessary, there is no assurance that such financing can be obtained on favourable terms or at all. Further, if additional funds are raised by issuing equity securities, this may result in dilution of some or all of the Molopo Shareholders' shareholdings in Molopo.

5.8.8 **Key personnel and service providers**

Molopo and its partners are dependent on the availability of skilled personnel and a competent services industry for drilling, hydraulic fracturing, workovers and other upstream services. The availability of technical employees and service companies varies significantly, especially in remote locations, and this may pose a risk which becomes more acute during exploration booms.

5.8.9 **Completion risk**

Commercial development of petroleum reserves requires construction of processing facilities, storage and transportation infrastructure. Completion of these facilities on time and to budget is crucial to project economics. Delays may be caused by a number of factors beyond Molopo's control, such as weather, obtaining permits, licence or regulatory approvals, availability of equipment, or other unforeseen events. Such delays may negatively impact project values and rates of return.

5.8.10 **Joint venture risk**

Molopo operates joint ventures and is subject to the risk of a joint venture or joint venture partner failing to agree on work programmes and budgets for proposed developments or exploration and joint venture partners failing to meet their obligations. In some circumstances, Molopo may not be able to influence or determine the outcome of joint venture decisions and must act in accordance with the decision of the joint venture.

5.8.11 **Changes to global energy requirements**

Molopo's business strategy currently involves a focus on identifying exploration and development opportunities in the oil and gas sector. While currently oil and gas resources satisfy a significant portion of global energy requirements, technological development in alternative energy sources such as solar energy, wind power and nuclear energy may lead to a reduction in the global demand for oil and gas. Where that is the case, the profitability of any exploration or production projects in which Molopo is invested is likely to fall, which could lead to a significant fall in any revenue that Molopo may derive from those projects. It is conceivable that, as a consequence of technological advancements, global demand for oil and gas will decrease to a point where some or all of the projects in which Molopo may have a future interest will become unprofitable or fail to deliver a return on Molopo's investment.

5.8.12 **Commodity price volatility**

The profitability of oil and gas production depends in large part on the global price for oil and gas commodities. Historically, the price of oil and gas has been highly volatile and has varied significantly as a result of various factors beyond Molopo's control, including the weather, general economic conditions, actions of state actors including the Organisation of Petroleum Exporting Countries, the emergence of competing energy sources, the discovery or exploitation of previously inaccessible resource deposits, and the geopolitical environment. These factors can be difficult to predict and are often the result of unexpected events. The profitability of Molopo's investments will likely be significantly correlated with the global price of oil and gas and are likely to be affected by this volatility.

5.8.13 **Environmental risks and health and safety**

The exploration and extraction of oil and gas resources generally has a significant and potentially irreversible impact on the environment. As a consequence, many jurisdictions have extensive laws and regulations that govern how oil and gas exploration and production facilities must be operated in order to regulate the impact of those facilities on the environment. In the event that a particular project is operated in breach of these regulations, or otherwise causes environmental harm, governments may be empowered to require the operator to pay significant penalties and to undertake remediation activities in order to repair any damage that may have been caused. These costs can be very significant. There is a risk that Molopo may be involved in a project or joint venture that is required to pay such penalties and incur such costs, which will have a negative impact on Molopo's revenue.

Similarly, many governments have extensive laws and regulations setting out workplace health and safety standards which must be followed by exploration and production facilities. Workers at such facilities are required to perform dangerous tasks, and there is a risk that a lapse in workplace health and safety standards will result in serious harm being caused to one or more workers. In those circumstances, the operator of the facility may be required to pay significant compensation to those workers as well as penalties to applicable regulatory bodies. There is a risk that Molopo may be involved in an enterprise that is required to pay such penalties and incur such costs, which will have a negative impact on Molopo's revenue.

5.8.14 **Foreign operations risk**

As at the date of this Target's Statement, Molopo's oil and gas operations and assets are located in the United States and any future oil and gas operations that Molopo may invest in may be located in other foreign jurisdictions. As a result Molopo is subject to political, economic and other uncertainties, including but not limited to, changes in energy policies or the personnel administering them, nationalisation or expropriation of property, cancellation or modification of contractual or regulatory rights, foreign exchange restrictions, currency fluctuations, royalty and tax increases and other risks arising out of foreign governmental sovereignty over the areas in which Molopo's operations are conducted.

If a dispute arises in connection with its foreign operations, Molopo may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdictions of the courts of Molopo's home jurisdiction or enforcing judgements obtained in its home jurisdiction in such other jurisdictions.

5.8.15 **Land owner risk**

Access to proposed drilling locations, seismic traverses and rights of way frequently require agreements and compensation arrangements with surface land owners. Landowner negotiations can be lengthy, costly or inconclusive and pose a risk that Molopo may be denied access or may be required to relocate proposed drill sites to less suitable locations. Landowners may also resort to social or political action where they perceive that petroleum operations may pose a threat to their lifestyle. Molopo takes particular care that the stakeholders in local communities remain informed and that their concerns are fully addressed. Formal agreements with traditional or tribal land owners are a prerequisite in many areas. Conflicts are nonetheless possible between Molopo and landowners.

5.8.16 **Foreign exchange risk**

Molopo currently or may in the future participate in exploration and production activities in jurisdictions other than Australia. Those enterprises will generally be operated using the currency of their local jurisdiction and not Australian dollars, but Molopo's financial performance will be accounted using Australian dollars. Molopo may also incur liabilities in Australian dollars. There is a risk that Molopo's revenue, earnings, assets and liabilities will be affected by exposure to fluctuations in currency markets.

5.9 **Directors and senior management**

As at the date of this Target's Statement, the Directors of Molopo are as follows.

Name	Position
Baljit Johal	Managing Director and Chairman
Matthew Cudmore	Independent Non-Executive Director
Samuel Belzberg	Non-Executive Director
Ronnen Rosengart	Independent Non-Executive Director

Below are the director profiles for each Director of Molopo.

Baljit Johal
Managing Director and Chairman

In October 2017 Baljit Johal joined the Board as a director of the Company. Baljit was appointed to the Board as Finance Director and in November was appointed Managing Director and Chairman. Baljit has over 25 years' experience in finance, investment banking, corporate finance and private equity for various corporations including Nomura International, Nova Capital Management, Exxon and White Cloud Capital LLP. Baljit has been finance director, financial controller, managed international portfolios, and formulated investment strategies and exits whilst building strong finance teams. Baljit has extensive experience in cash management and turnaround strategies, including having worked on several leading U.K. banks' portfolios and private equity backed investments where growth opportunities were identified and invested in. Baljit is an honours graduate in business from the University of North London (now the London Metropolitan University) and is a member of the Chartered Institute of Management Accountants.

Matthew Cudmore
Independent Non-Executive Director

In October 2017 Matthew Cudmore joined the Board as a, independent non-executive director of the Company. Matthew is a graduate of Durham University, achieving Honours in Economics. He has worked across multiple asset classes within the financial services industry in Sydney, specialising in foreign exchange markets and hedging solutions as a senior currency dealer. Matthew's experience includes having worked for Bell Potter and World First Foreign Exchange.

Samuel Belzberg
Non-Executive Director

In July 2015, Mr Belzberg joined the Board as the representative of Molopo's substantial shareholder, Gibralt Capital Corporation. Mr Belzberg has extensive international experience in real estate and finance over 5 decades. He serves on various Boards, including Second City Capital Partners, Second City Capital Partners Fund I. L. P. and NYSE listed City Office Reit, Inc.

In 1989 Mr Belzberg was awarded the Order of Canada and in 2002 he was promoted to Officer of the Order of Canada. Mr Belzberg holds a bachelor degree in commerce from the University of Alberta.

Ronnen Rosengart
Independent Non-Executive Director

In April 2016, Ronnen Rosengart joined the Board at the nomination of substantial shareholder Ion Limited. Ronnen Rosengart is a Senior Geophysicist with 23 years' experience in 2D and 3D processing and imaging of land and marine data in several major oil producing companies. He has a background in research and development of software solutions for time and depth applications and has been the Managing Director of Oil Hunters Pty Ltd, a geoscience consulting company, since January 2007.

Andrew Metcalfe
Company Secretary

Andrew Andrew Metcalfe was appointed Company Secretary on 15 April 2013. He is a qualified accountant, experienced company secretary and governance advisor. Andrew manages the regulatory function of Molopo.

Andrew Metcalfe is a Fellow of the Governance Institute of Australia (formerly Chartered Secretaries Australia) and a Member of the Australian Institute of Company Directors. Mr Metcalfe provides company secretarial services and advises on corporate governance matters for a number of ASX listed, public and private companies and not for profit organisations. He was Company Secretary and CFO for Molopo between 1997 and 2005.

6. TAXATION CONSEQUENCES

6.1 Introduction

The information in this Section is a general summary of the Australian income tax (including CGT), GST and stamp duty consequences for Molopo Shareholders who accept Aurora's Offer.

This information is relevant only to those Molopo Shareholders who hold their Molopo Shares on capital account. This information relates only to Molopo Shares, and not to other rights held over Molopo Shares.

Stamp duty and GST information is set out in Sections 6.3.2 and 6.5 of this Target's Statement respectively.

This Section does not consider the Australian income tax consequences for Molopo Shareholders:

- who hold their Molopo Shares as trading stock or as revenue assets;
- who acquired their Molopo Shares through an employee share scheme;
- that may be subject to special tax rules, such as financial institutions, insurance companies, partnerships (except where expressly stated), tax exempt organisations, trusts (except where expressly stated), superannuation funds (except where expressly stated) or temporary residents; or
- who are subject to the taxation of financial arrangements rules in relation to gains and losses on their Molopo Shares.

The information in this Section is based on taxation law and practice in effect as at the date of this Target's Statement. It is not intended to be an authoritative or complete statement or analysis of the taxation laws applicable to the particular circumstances of every Molopo Shareholder.

Molopo Shareholders should seek independent professional advice regarding the taxation consequences of accepting Aurora's Offer or otherwise disposing of their Molopo Shares.

6.2 Tax consequences of disposal of Molopo Shares by Australian residents

6.2.1 General CGT considerations

Acceptance of Aurora's Offer will result in the disposal of Molopo Shares by Molopo Shareholders.

This disposal will constitute a CGT event for the Molopo Shareholder. Where a Molopo Shareholder accepts Aurora's Offer, the date of disposal for CGT purposes will be either:

- 6.2.1.1 if at the time of acceptance Aurora's Offer is conditional, the time at which Aurora's Offer becomes unconditional;
- 6.2.1.2 if at the time of acceptance Aurora's Offer is unconditional, the time at which the Molopo Shareholder accepted Aurora's Offer; or

- 6.2.1.3 if the Molopo Shareholder does not accept Aurora's Offer and the Molopo Shares are compulsorily acquired by Aurora, the time at which the Molopo Shares are acquired.

If Aurora's Offer does not become unconditional, then no CGT event will occur.

The disposal of Molopo Shares may result in a capital gain or capital loss for the Molopo Shareholder.

A capital gain will arise if the Molopo Shareholder's capital proceeds exceed the cost base of their Molopo Shares. A capital loss will arise if the Molopo Shareholder's capital proceeds are less than the reduced cost base of their Molopo Shares.

6.2.1.4 ***Capital proceeds***

The capital proceeds received by a Molopo Shareholder who accepts Aurora's Offer (or has their Molopo Shares otherwise acquired under Aurora's Offer) will be equal to the amount of cash received (and the market value of any AFARF Units received) in respect of the disposal of the Molopo Shares.

6.2.1.5 ***Cost base and reduced cost base***

The cost base or reduced cost base of Molopo Shares should include the money that a Molopo Shareholder has paid or was required to pay to acquire its Molopo Shares, plus certain other amounts associated with the acquisition of the Molopo Shares and disposal to Aurora, such as brokerage or stamp duty. The cost base, but not the reduced cost base, of Molopo Shares may also include indexation (refer below).

6.2.1.6 ***Net capital gain***

Subject to the CGT reductions and exemptions discussed below, capital gains and capital losses of a taxpayer in a year of income are aggregated to determine whether the taxpayer has a net capital gain or loss for that period. Any net capital gain, after applying carried forward capital losses, is included in the taxpayer's assessable income. It is subject to income tax after deductions, including, subject to satisfying any applicable loss recoupment rules, deductions for any tax losses.

6.2.1.7 ***Capital losses***

Capital losses may only be offset against capital gains realised in the same income year. A net capital loss for an income year can, subject to satisfaction of the loss recoupment rules, where applicable, be carried forward to be offset against capital gains in future income years.

6.2.2 **Circumstances in which capital gains may be reduced or disregarded**

Molopo Shareholders who accept Aurora's Offer may be able to reduce or disregard a portion of a capital gain in the circumstances set out below.

6.2.2.1 ***Indexation***

If a Molopo Shareholder acquired (or is deemed to have acquired) their Molopo Shares at or before 11.45am on 1 September 1999, the cost base of their Molopo Shares may be indexed for inflation, by reference to changes in the Consumer Price Index from the calendar quarter in which the Molopo Shares were acquired (or deemed to be acquired) until the calendar quarter ended 30 September 1999. Indexation adjustments are taken into account only for the purposes of calculating a capital gain, not a capital loss.

A Molopo Shareholder who is an individual, complying superannuation entity or a trust and has held their Molopo Shares for at least 12 months will have the option of applying either the indexation method or the CGT discount (refer below) to calculate the capital gain arising from the disposal of Molopo Shares, but cannot apply both. A Molopo Shareholder who is a company can apply the indexation method, but not the CGT discount method (refer below).

Whether any Molopo Shareholder should use the indexation method or the CGT discount will depend on their particular circumstances. Molopo Shareholders should consult their own tax advisers in relation to this matter.

6.2.2.2 ***CGT discount***

Molopo Shareholders who derive a capital gain as a result of accepting Aurora's Offer and do not choose to apply the indexation method referred to above may be eligible for the CGT discount.

Broadly the CGT discount can reduce an eligible taxpayer's capital gain if the taxpayer has held the relevant asset (in this case, Molopo Shares) for at least 12 months prior to disposal. The CGT discount applies after an eligible taxpayer has applied capital losses against their capital gains for the income year.

The size and availability of the applicable CGT discount is determined by the legal status of the Molopo Shareholder:

- individuals are subject to CGT on 50% of any capital gain;
- complying superannuation entities are subject to CGT on two thirds of any capital gain;
- companies (other than in a capacity as trustee) are not entitled to the CGT discount; and
- trustees: where beneficiaries are presently entitled to the income of the trust, the net capital gain for the trust is

determined with the benefit of the 50% CGT discount if the Molopo Shares have been held for at least 12 months (refer above). On distribution by the trustee, the net capital gain would be grossed up to 100% in the hands of beneficiaries.

Molopo Shareholders that are trusts should obtain specific tax advice as to whether they are entitled to obtain the benefit of the CGT discount and in relation to the tax consequences of distributions attributable to discounted capital gains.

6.3 Taxation consequences of disposal of Molopo Shares by non-residents

6.3.1 Sale of Molopo Shares

Generally a Molopo Shareholder who is not a resident for Australian income tax purposes and who holds their Molopo Shares on capital account will not be subject to CGT on the disposal of their Molopo Shares if broadly either of the following tests are satisfied:

- Molopo is a company with its value not predominantly reflected in Australian real property; or
- the Molopo Shareholder, together with its associates, holds less than 10% of the total Molopo Shares on issue.

Non-resident Molopo Shareholders who are subject to CGT on disposal of their Molopo Shares will not be entitled to the CGT discount in relation to that portion of the capital gain which arises after 8 May 2012.

As at the date of this Target's Statement, Molopo does not expect CGT to apply on the disposal of Molopo Shares by a non-resident on the basis that it should satisfy the first test above.

6.3.2 Foreign resident capital gains withholding rules

Broadly, where a non-resident disposes of certain direct or indirect interests in Australian real property, the purchaser is required to withhold an amount from the purchase price and pay that amount to the Australian Taxation Office. The current rate of withholding is 12.5%. As at the date of this Target's Statement, Molopo does not expect withholding to apply on the disposal of Molopo Shares by a non-resident.

6.4 Stamp Duty

No Australian stamp duty should be payable by Molopo Shareholders in respect of the disposal of their Molopo Shares to Aurora.

6.5 GST

No GST should be payable by Molopo Shareholders in respect of their acceptance of Aurora's Offer.

Molopo Shareholders may be charged GST on third party costs (such as adviser fees) they incur and which relate to their participation in Aurora's Offer. Molopo Shareholders may be entitled to input tax credits for such costs, but should seek independent advice in relation to their specific circumstances.

7. ADDITIONAL INFORMATION

7.1 Directors' interests and dealings in Molopo Shares

7.1.1 Interests in Molopo securities

The number and description of securities in Molopo in which each Director has a relevant interest is set out in the table below.

Director	Number of shares beneficially held	Number of shares non-beneficially held
Samuel Belzberg	0	22,501,724 ¹

¹ Held indirectly through Gibralt Capital Corporation and Citicorp Nominees Pty Ltd as custodian for Gibralt Capital Corporation

7.1.2 Dealings in Molopo Shares

There have been no acquisitions or disposals of securities in Molopo by any Director in the four months ending on the day preceding the date of this Target's Statement.

7.1.3 Intentions of your Directors in relation to Aurora's Offer

As at the date of this Target's Statement, Mr Belzberg, being the only Director with a relevant interest in Molopo Shares, intends to **REJECT** the Aurora Offer in respect of his Molopo Shares.

7.2 Interests and dealings in Aurora securities

No Director has a relevant interest in any securities in Aurora or a Related Body Corporate of Aurora.

7.3 Benefits and agreements

7.3.1 Benefits to Directors

As a result of the Aurora Offer, no benefit (other than a benefit permitted by section 200F or 200G of the Corporations Act and compulsory superannuation entitlements) has been paid or will be paid to any Director or secretary in connection with the loss of, or their resignation from, their office.

7.3.2 Agreements connected with or conditional on Aurora's Offer

No agreement has been made between any of the Directors and any other person in connection with or conditional upon the outcome of the Aurora Offer.

7.3.3 Material interests of Directors in contracts with Aurora

No Director has any interest in any contract entered into by Aurora.

7.4 Issued capital

The total number of Molopo Shares on 27 November 2017 (being the last Business Day before this Target's Statement was printed) was 249,040,648.

7.5 Substantial holders

As at 27 November 2017 (being the last Business Day before this Target's Statement was printed), the substantial shareholders of the Company were:

Shareholder	Number of Shares	%
Ion Limited	49,687,332	19.95
Keybridge Capital Limited ABN 16 088 267 190	46,017,543	18.48
Australian Securities and Investments Commission and the Commonwealth of Australia ¹	43,207,195	17.35
Samuel Belzberg ²	22,501,734	9.04

¹ The Takeovers Panel made an announcement on 7 July 2017 ordering that 3,666,285 Molopo Shares held by Keybridge Capital Limited and 39,540,910 Molopo Shares held by Aurora are vested in the Commonwealth of Australia which occurred on 15 September 2017 and that these shares be sold by ASIC in accordance with the Panel's orders

² Held indirectly through Gibralt Capital Corporation and Citicorp Nominees Pty Ltd as custodian for Gibralt Capital Corporation

7.6 ASX announcements

Molopo is a disclosing entity under the Corporations Act and therefore has continuous disclosure obligations under that legislation and also under the ASX Listing Rules. Molopo is required to immediately disclose to the market through ASX any information concerning it that a reasonable person would expect to have a material effect on the price or value of Molopo's Shares.

Molopo is in compliance with its continuous disclosure obligations under the Corporations Act and the ASX Listing Rules. Molopo's announcements are available free of charge from the ASX website at www.asx.com.au (ASX code: MPO).

7.7 Consents

DLA Piper has consented to being named in this Target's Statement as the legal adviser to Molopo and has not withdrawn that consent at the date of this Target's Statement.

Computershare Investor Services Pty Ltd has consented to being named in this Target's Statement as Molopo's share registry.

Each person named in this Section 7.7 of this Target's Statement as having given its consent to the inclusion of a statement or to being named in this Target's Statement:

- has not authorised or caused the issue of this Target's Statement;

- does not make, or purport to make, any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based other than a statement included in this Target's Statement with the consent of that person; and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Target's Statement, other than a reference to its name and, in the case of a person referred to above as having given their consent to the inclusion of a statement, any statement or report which has been included in this Target's Statement with the consent of that party.

7.8 ASIC relief

As announced to the ASX on 24 November 2017, Molopo has obtained relief from ASIC to extend, by a further 2 days, the period by which Molopo is required to send this Target's Statement to Molopo Shareholders. On the basis of this relief, Molopo must send this Target's Statement to Molopo Shareholders by no later than 1 December 2017.

7.9 No other material information

This Target's Statement is required to include all the information that Molopo Shareholders and their professional advisers would reasonably require to make an informed assessment whether or not to accept Aurora's Offer but:

- only to the extent to which it is reasonable for investors and their professional advisers to expect to find this information in the Target's Statement; and
- only if the information is known to any Director.

The Directors are of the opinion that the only information that Molopo Shareholders and their professional advisers would reasonably require to make an informed assessment whether or not to accept Aurora's Offer is:

- the information contained in the Bidder's Statement (to the extent that the information is not inconsistent or superseded by information in this Target's Statement);
- the information contained in releases by Molopo and Aurora to ASX before the date of this Target's Statement; and
- the information contained in this Target's Statement.

The Directors have assumed, for the purposes of preparing this Target's Statement, that the information in the Bidder's Statement is accurate (unless expressly indicated otherwise in this Target's Statement). However the Directors do not take any responsibility for the contents of the Bidder's Statement and are not to be taken as endorsing in any way any statements contained in it.

In deciding what information should be included in this Target's Statement, the Directors have had regard to:

- the nature of Molopo Shares;
- the matters Molopo Shareholders may reasonably be expected to know;

- the fact that certain matters may reasonably be expected to be known to the professional advisers to Molopo Shareholders;
- the nature of Aurora's Offer; and
- the time available to Molopo to prepare this Target's Statement.

8. APPROVAL OF TARGET'S STATEMENT

This Target's Statement has been approved by a resolution passed by the Directors. All Directors voted in favour of the resolution.

Signed for and on behalf of Molopo by:

A handwritten signature in black ink, appearing to be 'Baljit Johal', with a long horizontal stroke extending to the right.

Baljit Johal
Chairman and Managing Director
28 November 2017

9. GLOSSARY AND INTERPRETATION

9.1 Glossary

310 ULC	3105682 Nova Scotia ULC
AEDT	Australian Eastern Daylight Time
AFARF	Aurora Fortitude Absolute Return Fund ARSN 145 894 800
AFARF Unit	a unit in AFARF
Announcement Date	the date Aurora publicly announced its intention to make the Offer, being 12 September 2017
ASIC	the Australian Securities and Investments Commission
Associate	has the same meaning as given to that term for the purposes of Chapter 6 of the Corporations Act
ASX	ASX Limited ACN 008 624 691 or, where the context requires, a financial market operated by it
ASX Listing Rules	the listing rules of ASX
AUD	Australian dollars
Aurora	Aurora Funds Management Limited ABN 69 092 626 885 as responsible entity of AFARF, in its personal capacity or in any other capacity, as the context requires
Aurora's Offer, the Aurora Offer or Offer	the off-market takeover bid by Aurora to acquire Molopo Shares set out in the Bidder's Statement
Bidder's Statement	the bidder's statement by Aurora dated 26 October 2017 setting out the terms, Conditions and other information in relation to the Aurora Offer
Business Day	a day on which banks are open for business in Melbourne, excluding a Saturday, Sunday or public holiday
CGT	capital gains tax
Corporations Act	the <i>Corporations Act 2001</i> (Cth)
Director	a director of Molopo
GST	goods and services tax
Molopo Board or Board	the board of directors of Molopo
Molopo Share or Share	a fully paid ordinary share in the capital of Molopo

Molopo Shareholder or Shareholder	a holder of Molopo Shares
Offer Conditions or Conditions	the conditions of Aurora's Offer set out in section 12.8 of the Bidder's Statement
Offer Consideration	the consideration offered by Aurora under its offer. As at the date of this Target's Statement, the Offer Consideration is \$0.135 for each Molopo Share, payable in cash and/or AFARF Units
Offer Period	the period during which Aurora's Offer will remain open for acceptance in accordance with section 12.2 of the Bidder's Statement
Orient	Orient FRC Ltd
Orient Project	the joint venture between Orient and Kerogen Florida Energy Company, LP, within the State of Florida, which is described in further detail in Section 5.2 of this Target's Statement
Prescribed Occurrences	the list of matters referred to in section 12.8(d)(1) - (13) of the Bidder's Statement
Related Body Corporate	has the meaning given to that term in the Corporations Act
relevant interest	has the meaning given in sections 608 and 609 of the Corporations Act
Superior Proposal	an alternative proposal to the Offer that is announced during the Offer Period that is: <ul style="list-style-type: none"> • recommended by any Molopo director; or • offers consideration that is equal or higher than the consideration offered under the Aurora Offer valued, as far as practicable, in accordance with the principles applying under section 621(3) of the Corporations Act and ASIC Regulatory Guide 9: Takeover bids
Target's Statement	this document
unconditional	that the Aurora Offer and any contracts resulting from acceptance of the Aurora Offer are no longer subject to fulfilment of any of the Conditions
WAM	WAM Capital Limited ACN 086 587 395
WAM Offer	the intended off-market takeover offer for Molopo Shares that was announced by WAM on 8 November 2017 on the ASX.

9.2 Interpretation

In this Target's Statement, unless the context otherwise requires:

- 9.2.1 the singular includes the plural and vice versa and words importing one gender include other genders;
- 9.2.2 terms defined in the Corporations Act as at the date of this Target's Statement have the meanings given to them in the Corporations Act at that date;
- 9.2.3 a reference to dollars, A\$, AUD, \$ and cents is a reference to Australian currency;
- 9.2.4 a reference to a statute of any parliament or any section, provision or schedule of a statute of any parliament includes a reference to any statutory amendment, variation or consolidation of the statute, section, provision or schedule and includes all statutory instruments issued under the statute, section, provision or schedule; a reference to a person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa;
- 9.2.5 a reference to a Section or Appendix is a reference to a section of or appendix to this Target's Statement and a reference to this Target's Statement includes any Appendix;
- 9.2.6 a reference to a document or instrument includes the document or instrument as novated, altered, supplemented, or replaced from time to time;
- 9.2.7 a reference to time is a reference to AEDT; and
- 9.2.8 headings and bold type are used for reference only.

CORPORATE DIRECTORY

Directors

Baljit Johal - Managing Director and Chairman
Matthew Cudmore - Independent Non-Executive Director
Samuel Belzberg - Non-Executive Director
Ronnen Rosengart - Independent Non-Executive Director

Company Secretary

Andrew Metcalfe

Share Registry

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