



MOLOPO ENERGY LIMITED

A.B.N. 79 003 152 154

INTERIM FINANCIAL REPORT

For the half-year ended 30 June 2017

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Corporate Directory

Directors

A. Gabovich (Interim Chairman)
S. Belzberg (Non-Executive Director)
R. Rosengart (Non-Executive Director)

Company Secretary

A. Metcalfe

Registered Office

C/- Accosec & Associates
Level 2, 470 Collins Street
Melbourne, Victoria 3000 Australia
Telephone: (61 3) 9867 7199
Facsimile: (61 3) 9867 8587
Postal Address: PO Box 255, Seddon
Victoria 3011 Australia

Website and Email

www.molopoenergy.com
enquiries@molopoenergy.com

Auditors

BDO East Coast Partnership
Collins Square Tower 4
Level 18, 727 Collins Street
Melbourne, Victoria 3008
Australia

Bankers

National Australia Bank Limited
330 Collins Street
Melbourne, VIC 3000
Australia

National Bank of Canada
301 – 6th Avenue
Calgary, AB T2P 4M9
Canada

Share Registry

Computershare Investor Services Pty Ltd
Yarra Falls
452 Johnston Street
Abbotsford VIC 3067
Australia
Telephone: (61 3) 9415 4000

Stock Exchange Listing

Australian Securities Exchange Limited
Level 4, North Tower
525 Collins Street
Melbourne, VIC 3000
Australia

(ASX code : MPO)



The Directors present their report on the consolidated entity (the “Group”) consisting of Molopo Energy Limited (“Molopo” or the “Company”) and the entities it controlled at the end of, or during, the half-year ended 30 June 2017.

Directors

The names of the Directors in office at any time during the half-year and up to the date of this report are:

Name of Director	Position
Alexandre Gabovich	Interim Chairman and Executive Director (appointed 27 February 2017)
Samuel Belzberg	Non-executive Director
Ronnen Rosengart	Non-executive Director
Wayne Trumble	Independent Non-Executive Director (appointed 27 February 2017; resigned 21 July 2017)
Samantha Tough	Independent Chairman and Non-Executive Director (resigned 31 March 2017)
Yaniv Stern	Non-executive Director (resigned 27 February 2017)

Principal Activities

The Group’s principal activities during the half year were management of litigation matters, treasury management of the company’s cash reserves, and addressing matters associated with the Takeovers Panel proceedings relating to two of the company’s substantial shareholders, whilst the Company assessed and undertook due diligence on two opportunities in the oil & gas sector. The strategic aim of the Board is to review global investment opportunities with a view to invest into assets in low political and economic risk environments.

Financial Review

The result of the Group for the financial half-year ended 30 June 2017 was an after-tax loss of \$2.669 million (30 June 2016: loss of \$0.06 million). No dividend was declared for the period.

Corporate

The Company has actively managed its cash reserves during the reporting period earning interest revenues of \$649k from treasury management of over \$65 million in cash reserves. The Board has been careful to ensure that the Company conserves shareholder capital to maintain shareholder value.

The Company has made cash payments relating to administration, employee and legal expenses of approximately \$2.798 million during the reporting period, with at least \$1.028 million of these expenses being one-off payments relating to the Takeover Panel and outstanding litigation matters.

The Company also undertook detailed assessment and due diligence on global oil and gas opportunities, and incurred costs associated with assessing those opportunities. The Board is conscious of keeping costs to a minimum and only incurring expenditure on those opportunities that it considers would be favourable to deliver value to shareholders.



At the end of the period, Molopo held cash in bank of \$65.166 million; 63% of the cash was held in Australian dollars, 24% in United States dollars and 13% in Canadian dollars. The Canadian dollars are retained as an offset to the provision for the litigation which sits in a Canadian subsidiary.

S249D requisition notice and Annual General Meeting

In March 2017, the Company received a S249D requisition notice from a shareholder, Keybridge Capital Limited, calling for a general meeting of shareholders to seek removal of the board and appoint three nominees to the Molopo Board. Subsequent to receiving the Keybridge notice, Aurora Funds Management Limited submitted an application to appoint a nominee to the Board. The Company's AGM was held on 20 June 2017 and all nominees were rejected by shareholders.

Legal Disputes

The Company continued to manage the progress of legal actions in Canada concerning the Company and Molopo Energy Canada Ltd. ("MECL"), a wholly owned subsidiary of the Company, all of which relate to the sale by MECL of its interests in various oil and gas assets on 1 March 2011.

The Board has continued its endeavors to resolve the litigation. However, these efforts have not been successful, as the Plaintiff advises it has been aggrieved by the previous regime in Molopo and wants to be heard.

During the reporting period, the Company was successful in having one action discontinued by the Plaintiff, 3105682 Nova Scotia ULC.

The Plaintiff commenced interviewing former members and associates of MECL and will review the outcome of this process in the second half of the 2017 calendar year. If the resulting single claim action is to proceed, it is expected to be brought to court in the second half of 2018.

The consolidation of outstanding legal claims is summarised as follows:

1. One of MECL's former joint venture partners (3105682 Nova Scotia ULC ("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\$35.0 (A\$35.9) million general damages, C\$1.0 (A\$1.0) million punitive and aggravated damages, interest, GST and indemnity costs.

The Group has made a C\$8.4 (A\$8.6) million provision in these financial statements in relation to this litigation (see Note 4 of the financial statements). Molopo Energy Limited, as parent company, is not a party to these proceedings.

2. 310 ULC also commenced legal action in 2013 against the purchaser of MECL's interests in the assets, Legacy Oil & Gas Inc. ("Legacy"), 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\$90.0 (A\$92.3 million general damages, C\$1.0 (A\$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 have not been required to file defences to the third-party claim.

Takeover 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 Capital Limited and Aurora Funds Management Limited. An application was also made by the Australian Securities and Investments Commission.

On 31 May 2017, the Takeovers Panel confirmed that the involvement of Mr Nicholas Bolton, or alternatively the involvement of Mr Nicholas Bolton together with Mr John Patton, in Keybridge and Aurora, gives rise to unacceptable circumstances in relation to the affairs of Molopo.

As no “association” between Keybridge and Aurora was found by the initial Panel, Molopo sought a review of the decision. Keybridge and Aurora also sought to review the decision on different grounds. On 30 June 2017, the review Panel announced its decision that, by no later than 26 October 2016 an “association” arose between Keybridge and Aurora or, in the alternative: *“the actions of Mr Bolton and Mr Patton, combined with the material financial interests each had in Keybridge and Aurora, and the influence that each exerted over Aurora and to an extent over Keybridge, gives rise to a control effect in Molopo that is otherwise unacceptable...”*

As a result of the “association”, each acquisition of Molopo shares by Keybridge and Aurora since 26 October 2016, which at that time aggregated to 22.49% of Molopo’s issued shares, has resulted in a contravention s 606 of the Corporations Act and the failure to disclose the association has been in contravention of s 671B of the Corporations Act.

ASX Listing status

As announced on 7 June 2017, ASX advised the Company 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 is not sufficient to warrant the continued quotations of its securities by 31 July 2017, Molopo’s shares will 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 (i.e. so that Molopo is no longer considered a ‘cash box’).

Further and prior to the Company completing any material acquisition or investment it will need to consult with ASX so that the ASX may advise whether it considers ASX Listing Rule 11.1 should apply (i.e. 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 Company announced on 27 July 2017 that it had completed a transaction whereby the Company had invested into an oil and gas project in Florida, USA. The view of the ASX is that this investment alone would not constitute a sufficient level of operations to consider reinstating the company’s shares to quotation. As such, as at the date of this report, the Company’s shares remain in suspension until such time that the Company has a sufficient level of operations to consider reinstating the company’s shares to quotation.



Events subsequent to the balance date

Takeover Panel proceedings

On 10 July 2017, the review Panel made orders, the effect of which includes:

- 3,666,285 Molopo shares held by Keybridge and 39,540,910 Molopo shares held by Aurora (being the number of Molopo shares acquired by Keybridge and Aurora respectively since 10 August 2016) (**Sale Shares**) are to be vested in ASIC to sell (representing an aggregate 43,207,195 shares or 17.35% of the total Molopo shares on issue;
- none of Keybridge, Aurora or their respective associates may, directly or indirectly, acquire any of the Sale Shares;
- none of the Keybridge, Aurora or their respective associates may vote any Sale Shares;
- neither Keybridge, Aurora nor their associates may acquire any further shares in Molopo for six months and thereafter Keybridge and Aurora cannot take into account the shares to be vested in ASIC in determining whether they can rely on the 'creep' exception in item 9 of section 611 of the Corporations Act; and
- each of Keybridge and Aurora must make disclosure of their relevant interests and association by lodging substantial holding notices.

Molopo expended a significant amount of management time and expense on the matter and is hopeful that this decision will bring an end to the Panel proceedings and will allow Molopo to turn its focus to finding quality assets to generate increased returns for all shareholders.

Florida investment transaction

On 25 July 2017, Molopo completed an investment transaction to acquire 50% of the issued capital in Orient FRC Ltd (Orient), a BVI registered company, for US\$7 million (AUD\$ 8.75 million based on \$0.80 AUD/US exchange rate) pursuant to a Share Sale Agreement. On 22 August 2017, Molopo issued an announcement to the ASX providing details of the investment transaction.

The investment into oil and gas assets allows Molopo to obtain a 50% interest in Orient's participation interest of up to a 50% working interest within the State of Florida and any offshore water adjacent to the State of Florida to explore for oil and gas and initially drill wells to test the Indigo Oil and Gas Lease located in the Upper Sunniland Formation in Hendry County, South Florida, U.S.A.

Other than the above, there were no events subsequent to the balance date.

Rounding of amounts

The Company is of the kind referred to in ASIC Corporations (Rounding in Financial/Directors Reports) Legislative Instrument 2016/191, dated 1 April 2016, and in accordance with that Legislative Instrument amounts in the Directors Report and the Financial Statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

Auditor's Independence Declaration

The auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is included in the interim financial report.



Signed in accordance with a resolution of Directors made pursuant to section 306(3) of the *Corporations Act 2001*.

On behalf of the Directors

A handwritten signature in blue ink, appearing to read 'Alexandre Gabovich'.

Alexandre Gabovich
Interim Chairman and Executive Director

11 September 2017

DECLARATION OF INDEPENDENCE BY JAMES MOONEY TO THE DIRECTORS OF MOLOPO ENERGY LIMITED

As lead auditor for the review of Molopo Energy Limited for the half-year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Molopo Energy Limited and the entities it controlled during the period.



James Mooney
Partner

BDO East Coast Partnership

Melbourne, 11 September 2017

**Condensed Consolidated Statement of Financial Position
As at 30 June 2017**

		Consolidated	
		30 June	31 December
		2017	2016
	Note	A\$000	A\$000
CURRENT ASSETS			
Cash and cash equivalents		65,166	67,486
Trade and other receivables		306	54
TOTAL CURRENT ASSETS		65,472	67,540
TOTAL ASSETS			
		65,472	67,540
CURRENT LIABILITIES			
Trade and other payables	3	1,075	212
TOTAL CURRENT LIABILITIES		1,075	212
NON-CURRENT LIABILITIES			
Provisions	4	8,380	8,583
TOTAL NON-CURRENT LIABILITIES		8,380	8,583
TOTAL LIABILITIES		9,455	8,795
NET ASSETS		56,017	58,745
EQUITY			
Share capital	5	157,321	157,321
Reserves		(4,120)	(4,061)
Accumulated losses		(97,184)	(94,515)
TOTAL EQUITY		56,017	58,745

The above Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.



Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half-year ended 30 June 2017

	Note	Consolidated	
		Six Months Ended 30 June 2017 A\$000	Six Months Ended 30 June 2016 A\$000
Revenue from continuing operations		-	-
Interest and other revenue		649	887
Administration expenses		(1,375)	(294)
Salary and employee benefits expense		(395)	(165)
Legal, management and consulting fees		(1,028)	(483)
Withholding tax payable	3	(490)	-
Finance costs		(91)	(1)
LOSS BEFORE INCOME TAX		(2,730)	(56)
Income tax benefit/(expense) from continuing operations		61	(8)
LOSS FOR THE PERIOD		(2,669)	(64)
OTHER COMPREHENSIVE INCOME, NET OF TAX			
Foreign currency translation loss		(59)	(18)
Total other comprehensive income		(59)	(18)
TOTAL COMPREHENSIVE LOSS		(2,728)	(82)

The above Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.



Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half-year ended 30 June 2017

	Consolidated	
	Six Months	Six Months
	Ended	Ended
	30 June 2017	30 June 2016
<hr/>		
Earnings per share for loss attributable to the owners of Molopo Energy Limited:		
Basic loss per share (cents per share)	(1.10)	(0.03)
Diluted loss per share (cents per share)	(1.10)	(0.03)

The above Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

**Condensed Consolidated Statement of Changes in Equity
For the half-year ended 30 June 2017**

	Ordinary shares (A\$000)	Share based payment reserve (A\$000)	Foreign currency translation reserve (A\$000)	(Accumulated losses) (A\$000)	Total equity (A\$000)
At 1 January 2017	157,321	-	(4,061)	(94,515)	58,745
Loss for the period	-	-	-	(2,669)	(2,669)
Other comprehensive (income)	-	-	(59)	-	(59)
Total comprehensive income for the period	-	-	(59)	(2,669)	(2,728)
Balance at 30 June 2017	157,321	-	(4,120)	(97,184)	56,017
At 1 January 2016	157,321	111	(4,082)	(94,509)	58,841
Loss for the period	-	-	-	(64)	(64)
Other comprehensive (Income)	-	-	(18)	-	(18)
Total comprehensive (Income) for the period	-	-	(18)	(64)	(82)
Balance at 30 June 2016	157,321	111	(4,100)	(94,573)	58,759

The above Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

**Condensed Consolidated Statement of Cash Flows
For the half-year ended 30 June 2017**

	Consolidated	
	Six Months Ended 30 June 2017 A\$000	Six Months Ended 30 June 2016 A\$000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	-	-
Payments to suppliers and employees	(2,357)	(450)
Interest received	649	750
Tax received/(paid)	58	(8)
NET CASH (USED IN)/PROVIDED BY OPERATING ACTIVITIES	(1,650)	292
CASH FLOWS FROM INVESTING ACTIVITIES		
NET CASH PROVIDED BY INVESTING ACTIVITIES	-	-
CASH FLOW FROM FINANCING ACTIVITIES		
NET CASH (USED IN) FINANCING ACTIVITIES	-	-
NET (DECREASE)/INCREASE IN CASH HELD	(1,650)	292
OPENING CASH AND CASH EQUIVALENTS	67,485	67,263
Effect of exchange rate changes	(669)	(6)
CLOSING CASH AND CASH EQUIVALENTS	65,166	67,550

The above Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.



Notes to the Condensed Consolidated Financial Statements

1. CORPORATE INFORMATION

Molopo Energy Limited (“Molopo” or the “Company”) is a company incorporated and domiciled in Australia. The condensed consolidated financial report of the Company as at and for the half-year ended 30 June 2017 comprises the Company and its subsidiaries (together referred to as the “Group”).

Operations and Principal Activities

The Group’s principal activities during the half year were management of litigation matters and cash reserves whilst seeking new investment opportunities in the oil & gas sector.

Registered Office and Principal Place of Business

Level 2, 470 Collins Street, Melbourne, Victoria 3000 Australia

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of Preparation

The condensed consolidated interim financial report is a general purpose financial report which has been prepared in accordance with the requirements of the *Corporations Act 2001*, applicable Accounting Standards including AASB 134 *Interim Financial Reporting* and other mandatory professional reporting requirements. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard AASB 134 *Interim Financial Reporting*.

The condensed consolidated interim financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the annual financial report.

The Company is of the kind referred to in ASIC Corporations (Rounding in Financial/Directors Reports) Legislative Instrument 2016/191, and in accordance with that Legislative Instrument amounts are rounded off to the nearest thousand dollars, unless otherwise indicated.

The condensed consolidated interim financial report should be read in conjunction with the consolidated annual financial report as at 31 December 2016, together with any public announcements made by the Company during the half-year ended 30 June 2017 in accordance with its continuous disclosure obligations.

The accounting policies adopted are consistent with those of the previous financial period. All references in this report are to Australian dollars unless otherwise stated.

The significant accounting policies are the same as those set out in the Company’s 31 December 2016 audited consolidated financial statements and have been consistently applied to all the periods presented in these financial statements.

Adoption of New and Revised Accounting Standards

The Group has chosen not to early-adopt any accounting standards that have been issued, but are not yet effective.

**3. TRADE AND OTHER PAYABLES**

	Consolidated	
	30 June 2017 A\$000	31 December 2016 A\$000
Trade creditors	253	206
Other creditors & accruals	332	6
Withholding Tax Payable	490	-
	1,075	212

Withholding Tax payable

In May 2017, Molopo Energy Canada Ltd ("MECL"), a wholly owned subsidiary of Molopo, received a tax assessment from the Canadian Revenue Authority (CRA) advising of an outstanding tax liability relating to unpaid withholding tax for the 2013 financial year on intercompany loans between group entities. MECL has contested this assessment claim on the basis that MECL had lodged a voluntary disclosure statement with CRA claiming no withholding tax liability. The matter is currently being audited by CRA.

4. PROVISIONS

	Consolidated	
	30 June 2017 A\$000	31 December 2016 A\$000
NON-CURRENT		
Provision for legal claim	8,380	8,583
	8,380	8,583

Provision for Legal Claim

In March 2011, Molopo Energy Canada Ltd ("MECL"), a wholly owned subsidiary of Molopo was served with a statement of claim ("Claim") by a former joint venture partner (3105682 Nova Scotia ULC ("310 ULC")) 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\$35.0 (A\$35.0) million general damages, C\$1.0 (A\$1.0) million punitive and aggravated damages, interest, GST and indemnity costs.

Subsequent to filing the statement of defence, the Company undertook an extensive examination of the transactions that gave rise to the amounts in dispute. This examination resulted in the Company applying a provision in the accounts in 2012 of a net C\$5.0 (A\$5.0) million. In early 2013, the JV Partner settled a counterclaim by making a payment of C\$3.4 (A\$3.4) million to the Company, at which time the Company increased the provision to C\$8.4 (A\$8.4) million.

The matter is continuing in the ordinary course with the Court. No court date has yet been set and the standard preparatory litigation processes are being undertaken.

The movement in the past two years in the provision for legal claim arises solely from fluctuations in foreign exchange rates in the period. The Board is satisfied that progress of the litigation process has not provided evidence to suggest the C\$8.4 (A\$8.4) million provision is inappropriate. The Board therefore considers the provision to be appropriate

**5. SHARE CAPITAL**

	Consolidated	
	30 June 2017 A\$000	31 December 2016 A\$000
(a) Issued and paid-up capital		
Ordinary shares fully paid	<u>157,321</u>	<u>157,321</u>
(b) Issued Capital - Number of Shares		
	No.	No.
	<u>249,040,648</u>	<u>249,040,648</u>

6. SEGMENT INFORMATION**Identification of reportable segments**

Operating segments are reported in a manner that is consistent with the internal reporting provided to the Board of Directors and the Executive Management Team (the chief operating decision makers).

The following reportable segments have been identified:

- Australia
- Canada
- USA

Information about reportable segments

	Australia A\$000	Canada A\$000	USA A\$000	Total A\$000
Six months ended 30 June 2017				
External revenues	649	-	-	649
Reportable segment (loss) after tax	(2,019)	(650)	-	(2,669)
Reportable segment assets	56,884	8,358	230	65,472
Six months ended 30 June 2016				
External revenues	750	-	-	750
Reportable segment (loss) after tax	(55)	(6)	(3)	(64)
Reportable segment assets	58,959	8,564	239	67,762



7. CONTINGENCIES AND COMMITMENTS

Legal Disputes

There were a series of legal actions in Canada concerning the Company and Molopo Energy Canada Ltd. ("MECL"), a wholly owned subsidiary of the Company, all of which relate to the sale by MECL of its interests in various oil and gas assets on 1 March 2011. With a near term resolution of the litigation looking unlikely, Molopo has instructed its legal team to do what is required to bring the matter to court as soon as possible.

1. One of MECL's former joint venture partners (3105682 Nova Scotia ULC ("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\$35.0 (A\$35.0) million general damages, C\$1.0 (A\$1.0) million punitive and aggravated damages, interest, GST and indemnity costs.

The Group has made a C\$8.4 (A\$8.4) million provision in these financial statements in relation to this litigation (see Note 4 of the financial statements). Molopo Energy Limited as parent company, is itself not a party to these proceedings. Whilst the litigation commenced in 2011, it is still at an early stage and 310 ULC has not progressed the litigation for nearly 2 years.

2. 310 ULC also commenced legal action in 2013 against the purchaser of MECL's interests in the assets, Legacy Oil & Gas Inc. ("Legacy"), 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\$90.0 (A \$90.0) million general damages, C\$1.0 (A\$1.0) million punitive and aggravated damages, interest, GST and indemnity costs.

Legacy has issued a third-party notice to both MECL and Molopo on the basis of 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.

MECL and Molopo have not yet been required to file any defence to the third-party claim.



8. EVENTS SUBSEQUENT TO THE BALANCE DATE

Takeover Panel proceedings

On 10 July 2017, the review Panel made orders, the effect of which includes:

- 3,666,285 Molopo shares held by Keybridge and 39,540,910 Molopo shares held by Aurora (being the number of Molopo shares acquired by Keybridge and Aurora respectively since 10 August 2016) (Sale Shares) are to be vested in ASIC to sell (representing an aggregate 43,207,195 shares or 17.35% of the total Molopo shares on issue);
- none of Keybridge, Aurora or their respective associates may, directly or indirectly, acquire any of the Sale Shares;
- none of the Keybridge, Aurora or their respective associates may vote any Sale Shares;
- neither Keybridge, Aurora nor their associates may acquire any further shares in Molopo for six months and thereafter Keybridge and Aurora cannot take into account the shares to be vested in ASIC in determining whether they can rely on the 'creep' exception in item 9 of section 611 of the Corporations Act; and
- each of Keybridge and Aurora must make disclosure of their relevant interests and association by lodging substantial holding notices.

Molopo expended a significant amount of management time and expense on the matter and is hopeful that this decision will bring an end to the Panel proceedings and will allow Molopo to turn its focus to finding quality assets to generate increased returns for all shareholders.

Florida investment transaction

On 25 July 2017, Molopo completed an investment transaction to acquire 50% of the issued capital in Orient FRC Ltd (Orient), a BVI registered company, for US\$7 million (AUD\$ 8.75 million based on \$0.80 AUD/US exchange rate) pursuant to a Share Sale Agreement. On 22 August 2017, Molopo issued an announcement to the ASX providing details of the investment transaction.

The investment into oil and gas assets allows Molopo to obtain a 50% interest in Orient's participation interest of up to a 50% working interest within the State of Florida and any offshore water adjacent to the State of Florida to explore for oil and gas and initially drill wells to test the Indigo Oil and Gas Lease located in the Upper Sunniland Formation in Hendry County, South Florida, U.S.A.

There were no other events subsequent to the balance date.



DIRECTORS' DECLARATION

The Directors declare that:

- (a) The financial statements and notes of the Group are in accordance with the *Corporations Act 2001*, including:
 - (i) Giving a true and fair view of the financial position as at 30 June 2017 and the performance for the half-year ended on that date of the consolidated entity; and
 - (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors made pursuant to section 303(5) of the *Corporations Act 2001*.

On behalf of the Directors,

A handwritten signature in blue ink, appearing to read 'Alexandre Gabovich'.

Alexandre Gabovich
Interim Chairman and Executive Director

11 September 2017

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Molopo Energy Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Molopo Energy Limited, which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Molopo Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Molopo Energy Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Molopo Energy Limited is not in accordance with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

BDO East Coast Partnership

A handwritten signature in black ink, appearing to read 'James Mooney'. Above the signature, the letters 'BDO' are written in a stylized, handwritten font.

James Mooney
Partner

Melbourne, 11 September 2017