



MOLOPO ENERGY LIMITED

ABN 79 003 152 154

September 2019: Mining exploration entity quarterly activities report

30 October 2019

Molopo Energy Limited (“**Molopo**” or the “**Company**”) presents its quarterly activities report for the three-month period ended 30 September 2019. *(Definitions are found at the end of this report).*

Executive Summary

As advised in previous quarterly reports and in the 2018 Annual Report, the Board of Molopo has continued with investigations into the Orient Transactions and the Drawbridge Transactions which were entered into by former Directors of Molopo without seeking shareholder approval which the Current Directors maintain was in breach of ASX Listing Rules, ASX continuous disclosure obligations and provisions of the Corporations Act. This has been supported by the subsequent findings of the Takeovers Panel.

The Orient Transactions involved in aggregate a US\$14 Million investment by Molopo to acquire all issued shares in Orient FRC Limited, a British Virgin Islands entity. As a wholly owned subsidiary of Molopo, Orient then committed to the Drawbridge Transactions and acquired a 30% non-voting A class share interest in Drawbridge, in consideration for which Molopo transferred its interest in Orient FRC Limited and contributed a further US\$18 Million under the Contribution Agreement in February 2018. In addition, Molopo incurred a further US\$3 Million of associated expenses.

Sopris Energy Investments Ltd., another British Virgin Islands entity and the majority 70% shareholder of Drawbridge, holds 100% of the voting rights in Drawbridge which it appears to have acquired without contributing any cash or other assets to the transaction.

Molopo has engaged independent experts to support the litigation proceedings against the Former Directors for breach of directors’ duties in entering into the Orient Transactions and the Drawbridge Transactions. The matter returns to Court for a Directions hearing on 15 November 2019.

The Current Directors remain firmly of the view that the litigation proceedings against the Former Directors provides the best opportunity for Molopo shareholders to recover any value from the actions undertaken by Former Directors entering into the Orient Transactions and the Drawbridge Transactions.



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Suspension from trading on ASX

Molopo's shares have been suspended from trading since 27 July 2017 as a result of failing to satisfy ASX's requirement for a sufficient level of operations.

As previously reported, the Company is not pursuing any new oil and gas activities (outside of those which it holds indirectly through its interest in Drawbridge) and would consider this only when the litigation proceedings against the Former Directors are completed. It is therefore likely that trading in the Company's shares will remain suspended for the foreseeable future.

Whilst the Current Directors recognise that this is extremely frustrating for shareholders, the Current Directors are committed to recover the maximum amount of value possible for shareholders and believe the best way to do so is through the litigation proceedings against the Former Directors.

Drawbridge Operations

No operations update has been received from Drawbridge for the March, June or September 2019 quarters.

Capital, Operating Expenses and Financial Reporting

Molopo held AU\$11.6 Million in cash reserves at the end of the September 2019 quarter, which excludes any interest in cash remaining in Drawbridge, as this cannot be verified.

Operating expenses during the quarter were AU\$800,000 which mainly comprised of D&O insurance costs and legal expenses associated with the legal proceedings undertaken by Molopo against the Former Directors in Australia, parties associated with Drawbridge entities in the USA and in defence of the ongoing proceedings against Molopo Energy Canada Limited.

As reported in the June 2019 quarter activities report, Molopo successfully recovered CAD\$490,000 from the Canadian Revenue Authority (CRA) being full rebate of a withholding tax assessment and a further payment of CAD\$82,543.75 relating to interest on the refund. Both amounts were received in July 2019.



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Legal actions

Molopo Energy Canada Limited - Molopo has not been advised of any material changes to the status of the action brought by the plaintiff.

Drawbridge – the Company’s legal action in the USA against the Drawbridge group of companies remains on foot. However, there has been no material change to the status of that action since last reporting.

Former Directors – as stated above the Company continues to vigorously pursue its claims in the Supreme Court of Victoria against the Former Directors of the Company. It remains confident that this will result in a successful recovery against the Former Directors.

The Company will continue to provide updates in accordance with its continuous disclosure obligations in relation to the timetable and progress as the litigation proceeds.

DEFINITIONS:

Contribution Agreement	Agreement between Orient and Drawbridge that required Orient to provide US\$18 million to Drawbridge to fund exploration activities on oil & gas assets acquired or to be acquired by Drawbridge and which included obligations on Drawbridge to provide quarterly financial and operations reports to Orient under the agreement.
Current Directors	Messrs Roger Corbett, Tony Hartnell, Ralph Curton jr. and William Johnson.
Drawbridge	Drawbridge Energy Holdings Limited, a British Virgin Islands entity and its subsidiaries and associated entities.
Drawbridge Transactions	The transactions entered into pursuant to the Contribution Agreement between Orient and Drawbridge pursuant to which Orient agreed to (i) assign Orient's interest in the Orient Project and (ii) transfer its 100% interest in Orient US to Drawbridge, in consideration for receipt of a 30% non-voting interest in Drawbridge.
Former Directors	Messrs Baljit Johal, Matthew Cudmore, Richard Matthews, Ronen Rosengart and Alexandre Gabovich.



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Orient	Orient FRC Ltd, a British Virgin Islands entity.
Orient / Drawbridge Transactions	The Orient Transactions and the Drawbridge Transactions.
Orient Project	Orient's 50% working interest to explore for oil and gas in a mature oil province in South Florida, U.S.A.
Orient Transactions	The acquisition by Molopo of 50% of Orient from Dr Gil Feiler, the redemption by Orient of 50% of Orient from ESGM being an entity associated with Dr Gil Feiler, including any loans advanced by Molopo (or any of Molopo's subsidiaries) to Orient (or any of Orient's subsidiaries) or otherwise made in connection with the Orient Project.

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