



15 September 2017

ASX ANNOUNCEMENT (ASX: MPO)

Aurora's Revised Intended Takeover Bid

TAKE NO ACTION
IN RELATION TO
UNSOLICITED
REVISED PROPOSED TAKEOVER BID

Background

Aurora Funds Management Limited (**Aurora**) announced on 27 July 2017 that Aurora, as responsible entity of Aurora Fortitude Absolute Return Fund (**AFARF**), intended to make a takeover bid for 100% of the shares in Molopo at a price of **\$0.18 (18 cents) per share** through a combination of cash and units in AFARF (**Initial Intended Bid**).

Aurora's Initial Intended Bid contained numerous defeating conditions, including a "no material transaction" defeating condition involving any single transaction of more than \$2 million or an amount in aggregate in any series of transactions of more than \$2 million (**no material transaction defeating condition**).

As previously announced by Molopo on 22 August 2017, the acquisition by Molopo of 50% of the shares in Orient FRC Ltd was for US\$7 million (AUD\$ 8.75 million based on \$0.80 AUD/US exchange rate) (**Transaction**). Given Aurora had failed to inform the market that the Transaction had triggered its proposed no material transaction defeating condition, Molopo announced on 1 September 2017 that the Transaction had triggered that proposed defeating condition.

Three weeks after Molopo had announced the details of the Transaction, Aurora stated in its Announcement of 12 September 2017 (**Announcement**) that it had withdrawn its Initial Intended Bid because the Transaction had triggered its proposed no material transaction defeating condition.

Aurora's Intended Revised Bid

In its Announcement of 12 September 2017, Aurora stated that as responsible entity, AFARF intends to make a revised takeover bid for 100% of the shares in Molopo at a price of **\$0.135 (13.5 cents) per share** through a combination of cash and units in AFARF (**Intended Revised Bid**).

With the notable exception of a **24.3% reduction in its initial proposed bid price**, the proposed terms of the Intended Revised Bid are essentially the same.

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Under Aurora's Intended Revised Bid:

- Molopo shareholders will be able to elect to receive the bid consideration in cash (**capped at \$5 million in total**) or the equivalent value in AFARF units, **being units in an unlisted managed investment scheme**.
- Accepting Molopo shareholders who elect to receive AFARF units will be able to request redemption of the units off-market at the prevailing net asset value based redemption price in accordance with AFARF's constitution and fund updates.
- Acceptances for cash consideration that in aggregate exceed \$5 million **would be scaled back**, with the balance of the bid consideration satisfied by the issue of AFARF units.

No value, or range of values, of the AFARF units are disclosed in Aurora's Announcement.

Aurora has stated that its present redemption guidelines to manage the liquidity requirements of the AFARF, being an unlisted scheme, **limit or restrict the redemption of units to 5% of total funds** on management in any given quarter.

Consequently, the ability of holders of AFARF units to have their units redeemed is significantly limited or restricted and therefore, **Aurora's Intended Revised Bid presents a clear and significant liquidity risk for Molopo's shareholders**.

Molopo Board's fundamental concerns

Whilst unnecessary for present purposes to comment in detail on the proposed terms of Aurora's Intended Revised Bid, the Board of Molopo has fundamental concerns with the circumstances in which this Intended Revised Bid has been announced, including:

- (a) Aurora's announcement of its Initial Intended Bid of 27 July 2017 and the circumstances in which it was made and subsequently withdrawn (including the extended delay) on 12 September 2017.
- (b) On 11 September 2017, Keybridge Capital Limited (**Keybridge**) announced that it 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, and the circumstances in which this action has been commenced. Molopo will be opposing this application. This Court action followed Molopo's Board decision not to accede to Keybridge's request:
 - (i) to allow Keybridge to inspect the books and documents of Molopo; and
 - (ii) that one of its directors, Mr William Johnson, be appointed as a director of Molopo.
- (c) On 11 September 2017, Aurora announced that it had applied to the Federal Court of Australia for a judicial review of the decision of the Review Takeovers Panel and the circumstances in which this application has been made.
- (d) Despite its earlier requisition of 13 March 2017, another requisition under section 249D of the Corporations Act was made by Keybridge on 12 September 2017 for a general meeting of Molopo to be held to remove the present Managing Director and Interim

Chairman of Molopo, Mr Alexandre Gabovich, as a director of Molopo and to appoint a Keybridge director and its nominee, Mr William Johnson, as a director of Molopo (**Keybridge's Requisition**) and the circumstances in which this requisition has been made.

- (e) Aurora's announcement of its Intended Revised Bid of 12 September 2017 (which again discloses Aurora's intention to gain control of Molopo and seek to return a material amount of Molopo's capital to Molopo's shareholders) and the circumstances in which this announcement has been made.
- (f) On 14 September 2017, Molopo received an originating application made by Keybridge and lodged with the Supreme Court of Western Australia under sections 233, 793C and 1324 of the Corporations Act and the circumstances in which this action has been commenced. Keybridge is seeking a declaration as to alleged oppressive conduct by Molopo and acting contrary to the interests of members as a whole. Keybridge is seeking numerous orders including, the institution of proceedings against the directors responsible for Molopo entering into the Transaction, the appointment of a receiver and manager of all of Molopo's property, compliance with section 201A of the Corporations Act, compliance with ASX Listing Rule 12.1 (having a sufficient level of operations to warrant continued quotation of securities), compliance with ASX Listing Rule 11.1.2 and Molopo obtaining shareholder approval in relation to the Transaction and any other transaction that represents a significant change to the nature or scale of Molopo's activities, Molopo may act only to convene a meeting of shareholders and otherwise in emergencies, restraining Molopo from taking any further steps including the expenditure of any funds in relation to the transaction to acquire shares in Orient FRC Ltd, restraining Molopo from entering into any other transaction that represents a significant change to the nature or scale of Molopo's activities without getting shareholder approval pursuant to ASX Listing Rule 11.1.2, restraining Molopo from entering into any transaction that involves the expenditure, or possible expenditure, of funds in excess of \$250,000 unless the effect of that transaction is, in the opinion of the ASX, sufficient to warrant the continued quotation of Molopo's securities on ASX and restraining Molopo from transferring any funds from any of its bank accounts to outside of Australia other than payments due to its directors for their engagement as directors of Molopo.

Keybridge's application is supported by the affidavits of Mr David Sanders (one of Keybridge's nominees who were rejected by Molopo's shareholders at the AGM held on 20 June 2017 in relation to Keybridge's first section 249D requisition) and Mr Farooq Khan.

Molopo denies these allegations and any liability in respect of these allegations and will oppose this application and defend these proceedings.

- (g) The Review Takeovers Panel made an Order on 7 July 2017 that none of Aurora and Keybridge or their respective associates may, directly or indirectly, acquire any shares in Molopo before the date that is 6 months after the date of the Panel's Orders.

Consequently, the Board of Molopo is seriously concerned that Aurora and Keybridge are seeking to:

- (i) keep Molopo in corporate stasis;

- (ii) prevent the Board of Molopo from applying its cash assets towards oil and gas investment opportunities;
- (iii) hinder Molopo's efforts to appoint a candidate who ordinarily resides in Australia (and who is suitably qualified and experienced) to be appointed as a director of Molopo and comply with section 201A(2) of the Corporations Act; and
- (iv) hinder Molopo from moving out of suspension of quotation of its shares and not enable the resumption of trading for the benefit of all shareholders of Molopo.

This is despite the following circumstances:

1. The Board of Molopo having informed shareholders and the market generally through its announcements dated 31 October 2016, 27 March 2017, 7 April 2017, 28 April 2017, 20 June 2017 and 23 June 2017 that it is actively pursuing oil and gas investment opportunities.
2. With this knowledge, and having regard to the section 249D requisition of Keybridge of 13 March 2017, the directors of Molopo (including Mr Alexandre Gabovich) were elected at Molopo's last AGM held on 20 June 2017 and Keybridge's nominees (including Mr William Johnson) were rejected by Molopo's shareholders.
3. The Orient FRC Ltd Transaction merely represents the continuation of the Board's strategy.
4. The Review Takeovers Panel having:
 - (a) found that Aurora and Keybridge acted in concert and are associates in relation to Molopo;
 - (b) found that Aurora and Keybridge contravened Chapter 6 of the Corporations Act;
 - (c) 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 6 months after the date of the Panel's Orders made on 7 July 2017; and
 - (d) ordered that 3,666,285 shares in Molopo (1.5% of Molopo's shares) held by Keybridge and 39,540,910 shares in Molopo (15.9% of Molopo's shares) held by Aurora are vested in the Commonwealth and that these shares be sold by ASIC in accordance with the Panel's orders;
5. Molopo had recently informed Keybridge that the Board had decided:
 - (a) not to accede to Keybridge's request to inspect the books and documents of Molopo as the Board was not satisfied that this request was made in good faith and for a proper purpose (being the key requirements in section 247A(1) of the Corporations Act), having regard to the circumstances in which this request was made; and
 - (b) not to appoint Mr William Johnson for numerous reasons, including:

- (i) the Board considers it inappropriate for it to act contrary to the resolution or decision of Molopo's shareholders at the recent AGM of 20 June 2017 and appoint Mr Johnson as a director of Molopo, given shareholders did not elect him at that AGM;
 - (ii) the Board wishes to appoint an independent non-executive director who is suitably qualified and experienced; and
 - (iii) the Board considers it inappropriate that any nominee of Keybridge, who is also a director of Keybridge be appointed as director of Molopo, given the recent condemnatory findings and orders of both the Initial and Review Takeover Panels against Keybridge and Aurora - especially a person who was a director of Keybridge during the period of Keybridge's unlawful actions in attempting to control or influence the composition of the Board of Molopo and the conduct of Molopo's affairs, as found by the Review Takeovers Panel.
6. Despite Aurora's and Keybridge's unlawful actions in attempting to control or influence the composition of the Board of Molopo and the conduct of Molopo's affairs, as found by the Review Takeovers Panel, Aurora and Keybridge continue to cause disruption to the Board and its management and Molopo continues to incur substantial costs to the detriment of all Molopo's shareholders.

In addition to considering all available legal rights and remedies, the Board of Molopo is considering whether:

- A. the terms of Aurora's Intended Bid, as announced, constitute "unacceptable circumstances" under Chapter 6 of the Corporations Act; and
- B. the conduct of Aurora and Keybridge together with the Aurora's Intended Revised Bid constitutes "unacceptable circumstances" under Chapter 6 of the Corporations Act.

Important Notice

The **Board of Molopo strongly recommends that Molopo's shareholders take no action in relation to Aurora's Intended Revised Bid**. The Board of Molopo will continue to update shareholders as it further considers these serious matters contained in this Announcement.

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Yours sincerely,



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