

Molopo Energy Limited (“Molopo” or the “Company”) presents its quarterly activities report for the three-month period ended 30 September 2018. (Definitions are found at the end of this report).

Executive Summary

Molopo continues to undertake detailed investigations into the Orient/Drawbridge Transactions that were approved and entered into by former Directors of Molopo. These transactions were entered into without seeking shareholder approval and in breach of ASX Listing Rules, ASX continuous disclosure obligations and the Corporations Act.

As a result of the Orient/Drawbridge Transactions, the Company’s cash reserves were depleted from A\$66.2 Million at 30 June 2017 to A\$15 Million as of 30 June 2018. The only significant asset currently held by Molopo other than its cash, is the 30% interest in BVI registered Drawbridge Energy Holdings Ltd (**Drawbridge**) acquired under the Orient/Drawbridge Transactions.

The Current Directors have serious concerns about ascribing any value to its interest in Drawbridge at this time.

With the objective of recovering value for Molopo shareholders, the Current Directors have initiated legal proceedings against Drawbridge (and associated parties) and against the Former Directors and Ronnen Rosengart personally.

Whilst the Current Directors recognise that progressing the investigations and multiple legal actions summarised above is likely to be costly and will take time, the Current Directors firmly believe that it provides the best chance for Molopo shareholders to recover value from the actions undertaken by former Directors of the Company.

On a (relatively) positive note, Molopo has received favourable Orders from the Takeovers Panel, whereby the Takeovers Panel declared Unacceptable Circumstances with respect to the actions of the Former Directors during the Aurora Bid, including highly critical findings in respect of the actions taken by the Former Directors.

The declaration of the Takeovers Panel has further strengthened the resolve of the Current Directors to hold the Former Directors accountable for their actions.

Suspension

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.

The Company does not at this time intend to actively pursue any new oil and gas activities (outside of those which it holds indirectly through its interest in Drawbridge). It is therefore likely that trading in the Company’s shares will remain suspended for some time to come. 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 actions summarised above and detailed below.

Molopo's interest in Drawbridge

As reported in the June 2018 Quarterly Activities Report, the Current Directors have significant concerns with the projects and structure of the Combination Transaction which Molopo was committed to by the Former Directors. The Current Directors are continuing to investigate the circumstances surrounding these transactions and are attempting to ascertain what value, if any, the Company can realistically ascribe to or recover from its indirect 30% non-voting shareholding in Drawbridge.

Apart from Molopo's remaining cash, the 30% interest in Drawbridge is the only significant asset currently held by Molopo.

The Current Directors are particularly concerned as to why the Former Directors would enter into such a transaction, where Molopo contributed 100% of the capital into Drawbridge in exchange for a minority, non-voting 30% interest and in circumstances where Drawbridge had little else of discernible value at the time of the investment. The holder of the remaining 70% interest in Drawbridge (BVI registered Sopris Energy Investments) appears to have contributed nothing of tangible value in return for its 70% interest in Drawbridge.

The Current Directors are currently attempting to identify and value the assets which have been acquired by Drawbridge since Molopo's investment (using Molopo's money). These attempts have however been hindered by Drawbridge management, who are refusing to appoint a Molopo representative to the Board of Drawbridge or to provide timely operating and financial information concerning that Company's assets and operations.

Furthermore, the Current Directors are aware that there exist various contractual arrangements in place between Drawbridge and other third parties (some of which are associated with Drawbridge management), relating to operating, management and consulting fees payable by Drawbridge together with various 'carried interests'. These arrangements act to diminish even further the value of Molopo's interest in Drawbridge.

Based upon the above, the Current Directors have serious concerns about ascribing any value to its investment in Drawbridge at this time.

Moreover, it is clear to the Current Directors that the Combination Transaction required prior Molopo shareholder approval, and is therefore voidable and should be unwound, and the funds previously contributed by Molopo under this transaction returned to Molopo. Following an unsuccessful mediation hearing with and injunction proceedings against Drawbridge, the Company has accordingly pursued legal action in the USA to amongst other things set the transactions aside.

The Company will provide updates in accordance with its continuous disclosure obligations.

Capital, Operating Expenses and Financial Reporting

The Company holds AU\$14.53M in cash reserves at the end of the September 2018 quarter.

Operating expenses during the quarter were AU\$0.53M which mainly comprised legal expenses and the payment of some historical operating expenses incurred by the Former Directors.

Molopo has to date been unable to complete its June 2018 half-year financial report as no financial information has been presented to the Company by Drawbridge that would enable Molopo to present to its auditors and shareholders a fair and reasonable financial assessment of the Company's Statement of Position and Statement of Operations. Molopo has on numerous occasions sought this information from Drawbridge which, as at the date of this Quarterly Activities Report, they have failed to provide.

Such financial and operational information is required to be provided by Drawbridge under the Contribution Agreement. The Current Directors have therefore initiated legal proceedings in the USA to force Drawbridge to provide such information in compliance with its obligations under the Contribution Agreement.

Aurora Takeover Bid

On 10 August 2018, Aurora Funds Management Limited, as responsible entity of Aurora Fortitude Absolute Return Fund (AFARF), announced that it would withdraw their takeover bid (Aurora Bid) for Molopo shares effective 20 August 2018 as the takeover bid was not free from defeating conditions. Any Molopo shareholder who had accepted the offer would have their Molopo shares returned to them.

Takeovers Panel proceedings

On 18 July 2018, the Initial Panel made a declaration ('Original Orders') that required Molopo to pay to Aurora Funds Management Ltd costs amounting to \$46,476.66 and \$24,105. This represents costs incurred by Aurora in relation to Aurora's bid and initial proceedings that Aurora brought to the Takeovers Panel claiming unacceptable circumstances in respect of the Combination Transaction that the Former Directors of Molopo had entered into with Drawbridge.

By application made on 20 July 2018, Molopo sought a review of the Original Orders. Molopo submitted an application to the Takeovers Panel in relation to the affairs of the Former Directors seeking further orders in relation to their actions in entering into the Orient / Drawbridge Transactions and submitting that the most appropriate orders to remedy the Unacceptable Circumstances were:

- (a) orders to cancel each of the various transactions, including the Combination Transaction, that contributed to the Unacceptable Circumstances; and

- (b) compensation orders against the Former Directors, former advisers and any other party or parties receiving Molopo funds from the transactions which were not legally approved by Molopo shareholders,

thereby putting Molopo shareholders back in the position they would have been had the Former Directors not undertaken the Orient / Drawbridge Transactions.

Molopo's application sought a review of the final orders made by the Initial Panel and did not seek a review of the Initial Panel's decision to make a Declaration of Unacceptable Circumstances.

On 26 September 2018, the Review Panel varied the orders of the Initial Panel. The Review Panel's decision requires the Former Directors to, inter alia, reimburse Molopo for the costs that Molopo was ordered to pay Aurora in the Initial Panel's findings (\$70,581.66) plus additional costs incurred by Molopo totalling \$91,944.60. Pursuant to the varied Orders, payment of the above amounts by the Former Directors must be made by 26 November 2018. Liability is joint and several.

In making their decision, the Review Panel found, among other things, that:

- (a) the Former Directors blatantly disregarded Molopo's disclosure obligations on numerous occasions, at times over extended periods, and were directly responsible for the actions taken, or purportedly taken, by or on behalf of Molopo giving rise to the unacceptable circumstances;
- (b) the matters that should have been disclosed were of great significance to Molopo and its shareholders, and the Former Directors should have realized that; and
- (c) the Former Directors were aware of the unacceptable circumstances, or would have been, had they acted reasonably.

The Review Panel further agreed with the view of the Initial Panel's findings that there had been a *"blatant disregard of Molopo's disclosure obligations by the Former Directors"*.

The Review Panel commented that the Panel does not often make orders against directors personally; however, in these circumstances the Panel considered it appropriate to make such orders against the Former Directors personally because such orders would protect the rights and interests of Molopo shareholders who have been affected by serious deficient disclosure in relation to transactions of great significance that caused or contributed to proposed acquisitions of substantial interests in Molopo not proceeding.

Legal actions:

Molopo Energy Canada Ltd - During the September quarter, there were no further developments in respect of the long-standing legal action in Canada concerning the Company and Molopo Energy Canada Ltd, a wholly owned subsidiary of the Company.

Drawbridge – on 19 September 2018, Molopo reported that following a process of court-mandated mediation (attended by representatives of Molopo and Drawbridge, which was unsuccessful in reaching a satisfactory solution), the application by Molopo for an injunction against Drawbridge was denied by the Harris County District Court, Houston Texas. As such, Molopo has not been able to impose any legal restraints on further expenditure by Drawbridge of Molopo’s contributed funds, at this time.

However, the Company has filed and is actively pursuing further legal claims in the USA against Drawbridge, as well as against Mr Michael Keener (Keener), Mr Darko Horvat (Horvat) and Sopris Energy Investments, Ltd. (Sopris) (collectively, the Defendants).

Mr Keener is a director of Drawbridge; Mr Horvat, based upon Molopo’s knowledge and belief as a result of pursuing these proceedings, is a principal of Sopris, which is the majority 70% shareholder of Drawbridge (Molopo indirectly holds the other 30% of Drawbridge, through its wholly owned subsidiary, Orient FRC Ltd).

The Current Directors intend to continue its investigations, pursue all legal avenues available to Molopo to unwind the Orient / Drawbridge Transactions and recover the funds invested by the Company in the transactions.

Former Directors and Ronnen Rosengart – The Current Directors notified its D&O Insurers that Molopo was making a claim under the policies against former Molopo directors and the Company has initiated proceedings in the Supreme Court of Victoria against Former Directors and Ronnen Rosengart for breach of directors’ duties in relation to committing Molopo to the Orient/Drawbridge Transactions.

The Company will pursue the Former Directors and Ronnen Rosengart personally and expects that this will result in a successful outcome under the Company’s D&O policy. The applicable D&O policies provide a total of \$30 million in cover to the Company.

On 18 October 2018, orders were made by the Court with the consent of the parties as follows:

1. the plaintiff file and serve replies to the defences by 15 November 2018;
2. the plaintiff file and serve any defence to Mr. Johal’s claim by 15 November 2018;
3. the parties give discovery by 14 December 2018
4. the plaintiff file and serve expert evidence by 1 March 2019;
5. the defendants file and serve expert evidence by 26 April 2019;
6. the plaintiff file and serve evidence in reply by 17 May 2019;
7. Mediation to take place by 14 June 2019, but not before 24 May 2019;
8. The matter be listed for further directions hearing on 21 June 2019.

The Current Directors will continue to pursue legal actions and investigations and provide updates in accordance with its continuous disclosure obligations.

DEFINITIONS:

Aurora	Aurora Funds Management Limited as responsible entity of the Aurora Fortitude Absolute Return Fund
Aurora's Bid	Aurora's off-market takeover bid for Molopo announced on 12 September 2017
Combination Transaction	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 to Orient US at completion and (ii) transfer its 100% interest in Orient US to Drawbridge, in consideration for receipt of a 30% non-voting interest in Drawbridge
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 by Drawbridge; and for Drawbridge to provide quarterly financial reports under the agreement
Current Directors	Messrs Roger Corbett, Tony Hartnell, Ralph Curton and William Johnson
Declaration Application	The Takeover Panel application made by Aurora on 14 May 2018
Drawbridge	Drawbridge Energy Holdings Ltd, a British Virgin Islands entity
EDA	The Exploration and Development Agreement, effective 1 July 2017, between Kerogen and Orient
ESGM	ESGM Investments Limited (special purpose vehicle said to be held by Dr Gil Feiler)
Former Directors	Messrs Baljit Johal, Matthew Cudmore, and Richard Matthews.
Kerogen	Kerogen Florida Energy Company LP
Keybridge	Keybridge Capital Limited, a substantial shareholder in Molopo
Orient	Orient FRC Ltd, a British Virgin Islands entity
Orient / Drawbridge Transactions	The Orient Transactions and the Combination Transaction
Orient Project	Orient's 50% working interest to explore for oil and gas in a mature oil province in South Florida, U.S.A. pursuant to the EDA

Orient Transactions	The acquisition by Molopo of 50% of Orient from Dr Gil Feiler, the redemption by Orient of 50% of Orient from ESGM and any loans 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
Orient US	Orient FRC (US) LLC, a subsidiary of Orient FRC Ltd

MOLOPO ENERGY LIMITED

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This media release contains certain forward-looking statements. These statements relate to future events or future performance of the Company. When used in this media release, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "estimate", "predict", "seek", "propose", "expect", "potential", "continue", and similar expressions, are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties, and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Such statements reflect the Company's current views with respect to certain events, and are subject to a number of risks, uncertainties and assumptions. Many factors could cause Molopo's actual results, performance, or achievements to materially differ from those described in this media release. Should one or more of these risks or uncertainties materialize, or should assumptions underlying forward-looking statements prove incorrect, actual results may vary materially from those described in other public disclosures made by the Company or this media release as intended, planned, anticipated, believed, estimated, or expected. Furthermore, statements relating to "reserves" or "resources" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions that the resources and reserves described can be produced profitably in the future. The forward-looking statements contained in this media release are expressly qualified in their entirety by this cautionary declaration. These statements speak only as of the date of this media release. The Company does not intend and does not assume any obligation, to update these forward-looking statements to reflect new information, subsequent events or otherwise, except as required by law.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

MOLOPO ENERGY LIMITED

ABN

79 003 152 154

Quarter ended ("current quarter")

30 September 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(12)	(308)
(b) development		
(c) production		
(d) staff costs	(46)	(342)
(e) administration and corporate costs	(397)	(1,684)
1.3 Dividends received (see note 3)		
1.4 Interest received	52	209
1.5 Interest and other costs of finance paid		
1.6 Taxes paid/received	75	(47)
1.7 Research and development refunds		
1.8 Other (legal expenses)	(202)	(1,911)
1.9 Net cash from / (used in) operating activities	(530)	(4,083)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment		
(b) tenements (see item 10)		
(c) investments	0	(29,579)
(d) other non-current assets		

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment		
(b) tenements (see item 10)		
(c) investments		
(d) other non-current assets		
2.3 Cash flows from loans to other entities		
2.4 Dividends received (see note 3)		
2.5 Other (provide details if material)		
2.6 Net cash from / (used in) investing activities	0	(29,579)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares		
3.2 Proceeds from issue of convertible notes		
3.3 Proceeds from exercise of share options		
3.4 Transaction costs related to issues of shares, convertible notes or options		
3.5 Proceeds from borrowings		
3.6 Repayment of borrowings		
3.7 Transaction costs related to loans and borrowings		
3.8 Dividends paid		
3.9 Other (provide details if material)		
3.10 Net cash from / (used in) financing activities	0	0

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	15,021	48,021
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(530)	(4,083)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	0	(29,579)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	0	0
4.5 Effect of movement in exchange rates on cash held	72	204
4.6 Cash and cash equivalents at end of period	14,563	14,563

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	6,478	6,972
5.2 Call deposits	0	0
5.3 Bank overdrafts	0	0
5.4 Other (Term Deposits)	8,085	8,049
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	14,563	15,021

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	0
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Directors fees, superannuation payments, advisory fees (under agreement)

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	0
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	0
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

None

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	0	0
8.2 Credit standby arrangements	0	0
8.3 Other (please specify)	0	0
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

None

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	0
9.2 Development	0
9.3 Production	0
9.4 Staff costs	50
9.5 Administration and corporate costs (comprising payment of D&O policy renewal and outstanding costs associated with operations pre 31 May 2018)	1,100
9.6 Other (Legal expenses)	200
9.7 Total estimated cash outflows	1,350

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	Nil			
10.2 Interests in mining tenements and petroleum tenements acquired or increased	Nil			

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here:
(Company secretary)

Date: 31 October 2018

Print name: Andrew Metcalfe

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.