



MOLOPO ENERGY LIMITED

ABN 79 003 152 154

Ms Mavis Tan

1 March 2019

ASX Limited

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RE: Submissions by Molopo Energy Limited (Molopo) in respect of automatic removal of long-term suspended entities and proposed amendments to GN33.

I am writing to you and making the following submissions in my capacity as Chairman of Molopo.

Executive Summary of Submission

Molopo is an ASX listed entity. Its shares have been suspended from trading since 27 July 2017 as a result of failing to satisfy ASX's requirements for a sufficient level of operations.

Under the current provisions of GN33, ASX would automatically remove an entity from the Official List if the entity's securities have been suspended from trading for a continuous period of 3 years; which means if the current suspension continues Molopo would be automatically removed from the Official List on 27 July 2020.



The proposal in the ASX Consultation Paper to shorten the deadline period from 3 to 2 years means that if the current suspension continues, Molopo would be automatically removed from the Official List on 27 July 2019.

Molopo objects to the proposed amendment to GN33 in the circumstances that Molopo currently finds itself for the reasons set out and makes the submissions below.

I note from the Consultation Paper that it is unclear as to whether the current provisions of GN33, which provide that ASX may agree to a short extension of the now 3 year deadline for automatic removal of a long-term suspended entity, if the entity can demonstrate to ASX's satisfaction that it is in the final stages of implementing a transaction that will lead to the resumption of trading in its securities will continue to apply if the removal period is shortened to 2 years under the proposed amendment. I assume for the purposes of these submissions that it will.

Background

Former Directors of Molopo publicly announced that Molopo would not enter into any substantial transactions without seeking shareholder approval, however this did not occur.

On the date of the suspension of Molopo shares from trading, Aurora Funds Management Limited as responsible entity for Aurora Fortitude Absolute Return Fund (**Aurora**) announced an off-market takeover bid for Molopo. The bid was subsequently withdrawn on 12 September 2017 and Aurora announced a revised bid on 26 October 2017 following an announcement by the former Directors of Molopo on 22 August 2017 that the company had acquired a 50% interest in a British Virgin Islands company called Orient FRC Ltd and participation in an exploration and development project for oil and gas in Florida USA with Kerogen Florida Energy Company LP (**Kerogen**).

On 8 November 2017, WAM Capital Limited (**WAM**) announced a proposed competing off-market takeover bid for Molopo resulting in Aurora making an application to the Takeovers Panel. Over the next 6 months the former Directors undertook a series of further transactions committing Molopo to what is now described as the Orient Transaction and ultimately to the Drawbridge Transaction and committed Molopo to oil and gas projects in Texas seriously depleting shareholder's funds to the tune of US\$35M.



During the period from August 2017 to May 2018, a major shareholder in Molopo, Keybridge Capital Limited (**Keybridge**), corresponded continuously with ASX objecting to the former Directors committing Molopo to the Orient Transactions without shareholder approval. Keybridge cited that Molopo was in breach of the ASX Listing Rules and alleged serious breaches of the continuous disclosure obligations under the Listing Rules and the Corporations Act. Keybridge also commenced proceedings in the Supreme Court of Victoria seeking injunctive and related relief in respect of the actions of the former Directors committing Molopo to the Orient Transactions.

In the period that followed the complaints made by Keybridge, and other shareholders, ASX failed to take any action to prevent Molopo entering into the Orient Transactions. As a result, on 8 May 2018 Molopo announced that it had entered into the combined Orient and Drawbridge Transactions committing US\$35M of shareholder funds resulting in Molopo acquiring a 30% non-voting interest in Drawbridge Energy Holdings Ltd (**Drawbridge**), a British Virgin Islands company, in respect of potential expanded oil and gas projects in Texas, USA and with Molopo having contributed all the funds to Drawbridge under a Contribution Agreement and the Kerogen assets it had acquired through the Orient Transactions. The 70% shareholder Sopris Energy Investments Limited which holds 100% of the voting rights in Drawbridge has made no capital, asset or cash contributions to Drawbridge.

Following completion of the combined Orient and Drawbridge Transactions Molopo had approximately AUS\$16.904 million of cash left available at 31 March 2018. Had ASX acted on the complaints of Keybridge and other shareholders these transactions would not have occurred, nor would those transactions have ever been approved by Molopo shareholders had the former Directors been required to seek shareholder approval.

ASX subsequently advised the former Directors it considered Molopo had committed serious breaches of the ASX Listing Rules and may also have breached ss. 1041 and 1309 of the Corporations Law for making misleading disclosures to the ASX.

On 31 May 2018, at the company's AGM, the former Directors were removed by shareholders and the current Directors were elected by shareholders.

I do not propose to document all of the extensive and prolonged Takeovers Panel proceedings, Orders and findings which are well documented and known to ASX, but suffice it to say that the Takeovers Panel made a Declaration of Unacceptable Circumstances in relation to Aurora's takeover bid and



made serious findings and Orders against the former Directors including that there had been a blatant disregard of the ASX Listing Rules and continuous disclosure obligations by the former Directors.

Since the election of the current Directors on 31 May 2018, Molopo has commenced proceedings seeking damages against former Directors of Molopo in respect of their decisions to enter into the combined Orient and Drawbridge Transactions. Molopo has also commenced proceedings in Texas USA against Drawbridge seeking, inter alia, to unwind the combined Orient and Drawbridge Transaction and pursue information regarding the financial position of Drawbridge and reports on the Drawbridge projects.

To date Molopo has been unable to obtain clear or reliable financial information to enable it to comply with its obligations to issue the Half Yearly Accounts for the 6-month period ended 30 June 2018 or the Annual Accounts for the Year ended 31 December 2018. The current Directors expect to be able to have complied with Listing Rule 17.5 and file the respective Financial Statements and other documents in the near future, albeit that the audit report and Financial Statements will be qualified as a result of the quality or reliability of financial information available to the Board in respect of the Drawbridge investment.

Submissions supporting the objection to proposed changes to GN33

The current Directors of Molopo are taking all necessary steps as expeditiously as possible to recover funds, on behalf of shareholders, expended as a result of the former Directors entering into the combined Orient and Drawbridge Transactions.

The current Directors are confident that those actions will result in a positive outcome for shareholders in a reasonable timeframe and at least before 27 July 2020 which would be the current deadline for removal from the Official List if GN33 remains unchanged (and possibly 3 months later to 27 October 2020 if the extension provisions continue to apply).

In that event the current Directors may, if successful in recovery or otherwise and if sufficient information is available, be in a position to implement a transaction or be in 'final stages' of implementing a transaction that will lead to a resumption of trading in its securities.

In the circumstances of ASX's knowledge of and participation in the events that led to the completion of the combined Orient and Drawbridge Transactions and the apparent blatant breaches of the Listing



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Rules by the former Directors, the current Directors of Molopo object to the proposed change to GN33 by ASX. The current Directors believe that ASX should seriously consider the prejudice to Molopo shareholders that would occur in the event that Molopo was removed from the Official List on 27 July 2019 without the current Directors having had a reasonable opportunity to take all steps to reinstate trading of the company's securities. Whilst the current Directors cannot be certain that this will occur, in the event that changes to GN33 are made and implemented as proposed they will not be given the opportunity to rectify the situation for shareholders.

Further, Molopo strongly submits that if the changes proposed to be made to GN33 are made retrospectively to impact companies such as Molopo that are currently suspended, it will unfairly prejudice those companies and their respective shareholders. Molopo submits it and other like companies should be given a moratorium to allow the 3-year period from suspension to expire so that shareholders are not prejudiced. This could be introduced by proposing that the changes will only apply to companies suspended after 1 July 2019 and that other companies affected will be grandfathered by the changes so that they can rely on the 3-year period which currently applies under GN33. The possible 3-month extension, at ASX discretion, should also continue to apply.

Yours Faithfully,

Roger C Corbett AO

Chairman