



# MOLOPO ENERGY LIMITED

ABN 79 003 152 154

**ANNUAL GENERAL MEETING THURSDAY 30<sup>TH</sup> MAY 2019**

## **CHAIRMAN'S ADDRESS**

Ladies and Gentlemen.

Welcome to the Annual General Meeting of your Company.

It is now one year less a day since shareholders voted to replace the Board of the Company as a result of the actions of former directors having committed the Company to a series of investments in transactions between July 2017 and March 2018 which resulted in what I will collectively refer to, for the purposes of this meeting, as the Drawbridge Transactions with shareholder's funds being depleted in total by around AUD46 million without seeking shareholder approval.

Since the current Board's appointment in 2018, it has worked diligently and methodically on behalf of shareholders to investigate and to ascertain what the Company invested in, whether those investments hold any value and whether shareholders are likely to receive any future value from those investments.

In that context I want first and foremost to thank my fellow directors and our Company secretary for their commitment and support in that pursuit who I will now introduce to you:

### **INTRODUCE DIRECTORS AND COMPANY SECRETARY:**

Mr. Tony Hartnell, Mr. William Johnson, Mr. Ralph Curton jr. and our Company Secretary and CFO Mr. Andrew Metcalfe.

### **INTRODUCTION OF AUDITOR**

I would also like to welcome our Company auditor's representative from BDO Mr. James Mooney who is present to answer questions in relation to the Audit of the Financial Statements of the Company when they are dealt with in the business of this meeting.



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The Drawbridge Transactions resulted amongst other things in the Australian Securities Exchange ('ASX') advising the Company on 11 May 2018 that ASX considered the Drawbridge Transactions to be a significant change to the nature or scale of Molopo's activities and that to enable lifting the suspension from trading, ASX had exercised its discretion under Listing Rule 11.1.2 to require that the Drawbridge Transactions be approved by Molopo shareholders and under Listing Rule 11.1.3 to require Molopo to satisfy the requirements of Chapters 1 and 2 of the Listing Rules as if it were applying for admission to the Official List.

Further, ASX advised that it considered Molopo, under the direction of the former directors, had committed serious breaches of the ASX Listing Rules and may also have breached ss1041H and 1309 of the Corporations Act for making misleading disclosures to ASX.

The Takeovers Panel proceedings were also finalised with a Declaration of Unacceptable Circumstances by the initial Panel and following a request by Molopo for a review of the initial Panel's final orders the Review Panel varied the orders of the Initial Panel. The Review Panel's decision required the former Directors, Messrs. Johal, Cudmore and Matthews jointly and severally, to 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 in the Takeovers Panel proceedings. These costs were subsequently received by the Company albeit paid by the Company's D&O insurer.

In making their decision, the Review Panel agreed with the Initial Panel's findings, among other things, that there had been a blatant disregard of the ASX Listing Rules and Molopo's disclosure obligations by former directors of Molopo.

As Chairman I am disappointed to report that the last financial year has been a year of investigation, recovery and litigation rather than pursuing any profitable operations.

I do not propose in this address to repeat the detail of our findings to date as that has already been reported to shareholders and the market in various continuous disclosure ASX releases and in the Quarterly, Half Yearly and the Annual Report, but rather summarise the current position and advise shareholders of the Board's future proposed actions.



## THE PAST YEAR

Immediately following its election in May 2018 this Board set about investigating the details of the Drawbridge Transactions, how they occurred, what assets they comprised of and what, if any, value they had or were likely to have in the future for shareholders. This investigation process has proven to be more complex than initially anticipated, has been time consuming and required expending the Company's funds on significant legal expenses.

In this regard I would like to particularly thank our experienced oil and gas non-executive director from Dallas, Mr. Ralph Curton jr. and our specialist oil and gas project consultant Mr. Jeffrey Van Putten who have both travelled from the United States to attend today's meeting. Both men have extensive experience in oil and gas projects in the United States and have been able to make an invaluable contribution to the Board during the investigation process for which I thank them both on behalf of shareholders.

The Drawbridge Transactions ultimately resulted in the Company committing the AUD46 million and a potential oil and gas project into an agreement with Drawbridge Energy Holdings Ltd, a British Virgin Islands ('BVI') registered company ('Drawbridge'), without shareholder approval for which Molopo's wholly owned subsidiary Orient FRC Limited ('Orient') received a 30% non-voting shareholding in Drawbridge. The remaining 70% voting share is owned by a BVI company called Sopris Energy Investments Limited ('Sopris') which contributed no funds or projects to Drawbridge and yet holds 100% of the voting rights in Drawbridge.

The Board has been unable to identify the ultimate owner of Sopris and since the resignation of the Company's former Chairman Mr. Baljit Johal, Molopo and its subsidiary Orient has been refused any board representation on Drawbridge.

The Molopo Board instituted proceedings against Drawbridge in the United States seeking to restrain Drawbridge from expending the Company's funds and seeking an order to set the transaction aside. To date these proceedings have not been successful other than to extract information from Drawbridge representatives both in depositions and financial information that has proved to be unreliable. This is despite there being an obligation on Drawbridge to provide Orient with quarterly and annual financial statements for Drawbridge and its subsidiaries on a consolidated basis.

As a result the Board, after consultation with our auditors, held serious concerns ascribing any value to its interest in its subsidiary Orient and the 30% non-voting interest it holds in Drawbridge. After



undertaking exhaustive investigations through the US litigation and also seeking external advice, the Board's assessment of the oil & gas exploration and production assets held by Drawbridge is that their value is less than the value implied by the Drawbridge Transactions and that there is little chance that they will deliver any meaningful value for shareholders in the near future. As such, the Board has fully impaired the investment in Orient and Drawbridge by the amount of US\$35M (AU\$46M).

The Board also immediately assumed responsibility for proceedings initially instituted by Keybridge Capital Limited ('Keybridge') against former directors of the Company and was substituted as plaintiff seeking damages for negligence in respect of the breach of director's duties in committing the Company to the Drawbridge Transactions. Notifications were made to the Company's D&O insurer and the former directors being sued have claimed against the D&O policies which provide a total of AU\$30 million cover to the Company. These proceedings are being conducted in the Supreme Court of Victoria and are being vigorously pursued by the Board which is confident that they will result in a positive return for shareholders. As part of the proceedings there will be expert's reports obtained including an independent expert valuation of the Drawbridge oil and gas projects and assets and ultimately the Orient investment which will provide further information.

The Board was staggered to discover the quantum of legal fees and other expenses expended by former directors of the Company in relation to the Takeovers Panel proceedings and what was previously the Keybridge proceedings which were brought against Molopo by Keybridge as a shareholder seeking amongst other things to restrain the former directors from committing further funds to investments without shareholder approval. The costs incurred were excessive and it appears were expended without any controls by the former directors whatsoever.

As these matters are before the courts, I do not propose to answer any questions about the details of those proceedings and sufficient information has already been provided in our ASX releases and the Annual Report.

## THE FUTURE

For the balance of this calendar and financial year the Board will put all its efforts into pursuing the proceedings against the former directors of the Company who are responsible for entering into the relevant transactions, holding them accountable for breach of their directors' duties, as this Board



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firmly believes this provides the best chance for Molopo shareholders to recover any value from the actions undertaken by former directors of the Company.

The current Victorian Supreme Court Timetable is as follows:

- (a) Molopo to file and serve any expert evidence on which intends to rely by 19 July 2019.
- (b) The Defendants file and serve any expert evidence on which they intend to rely by 13 September 2019.
- (c) Molopo to file and serve any expert evidence in reply by 27 September 2019.
- (d) Mediation to take place by 21 October 2019, but not before 4 October 2019

We will also continue to pursue the proceedings in the United States to the extent required to achieve a positive outcome for Orient and the Company.

The Board has not ruled out future actions against parties it determines to be responsible for or negligent in failing to fulfil their obligations to Molopo causing the Company to be in the position it now finds itself to the detriment of all shareholders.

The Board will continue to update shareholders in accordance with its continuous disclosure obligations.