



29<sup>th</sup> April 2019

**Molopo Energy Limited** (“**Molopo**” or the “**Company**”) presents its quarterly activities report for the three-month period ended 31 March 2019. (Definitions are found at the end of this report).

## **Executive Summary**

The Board of Molopo continues to undertake detailed investigations into the Orient Transactions and Drawbridge Transactions that were entered into by former directors of the Company culminating in the Combination Transaction. The Orient / Drawbridge Transactions were entered into by the 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 which is supported by the findings of the Takeovers Panel.

The Orient / Drawbridge Transactions are a combination of a US\$14 Million investment to acquire all issued shares in Orient FRC Limited, which in turn owns a 30% non-voting A class share interest in Drawbridge for which Molopo contributed US\$18 Million under the Contribution Agreement in February 2018, plus incurring a further US\$3 Million of associated expenses.

As a result of the Orient / Drawbridge Transactions, the Company’s cash reserves were depleted from AU\$66.2 Million at 30 June 2017 to AU\$15 Million as of 30 June 2018 with the only significant asset currently held by Molopo at the end of the March 2019 quarter, other than its cash reserves of AU\$12.65 Million, being the 30% non-voting interest in Drawbridge, a company registered in the British Virgin Islands.

Sopris Energy Investments Ltd., which is 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 indirectly holds the other non-voting 30% shareholding of Drawbridge, through its wholly owned subsidiary, Orient FRC Ltd.

The Current Directors continue to have serious concerns ascribing any value to its interest in Orient and the 30% non-voting interest in Drawbridge. After undertaking further investigations and seeking external advice, the Current Director’s assessment of the oil & gas exploration and production assets held by Drawbridge is that their market value is most likely significantly less



than the value implied by the Orient / Drawbridge Transactions and that there is little chance that they will deliver any meaningful value for Molopo in the near future.

With the objective of recovering value for Molopo shareholders, the Current Directors continue to vigorously pursue legal proceedings against former directors of the Company responsible for entering into these transactions to hold them accountable for breach of directors' duties. Since the date of the December 2018 Quarterly Report to shareholders, Molopo has commenced proceedings against another former director Alexandre Gabovich for breach of director's duties and will seek to have those proceedings joined with the existing proceedings in due course.

The Current Directors firmly believe that the proceedings against Former Directors provide the best chance for Molopo shareholders to recover value from the actions undertaken by Former Directors of the Company entering into the Orient / Drawbridge Transaction.

In addition, Molopo and Orient are pursuing proceedings in the United States against Drawbridge, to prevent the dissipation out of Drawbridge of the funds contributed by Molopo through the Drawbridge Transactions, as well as to obtain regular financial reports from Drawbridge as required under the Contribution Agreement. However, these proceedings have not delivered any positive outcomes for Molopo to date. Almost all of the funds contributed by Molopo have now apparently been spent by Drawbridge and the financial statements and operation reports that have been provided by Drawbridge are not sufficiently detailed and lack sufficient supporting material to provide the Current Directors with confidence that the information provided can be relied upon for Molopo's financial reporting purposes.

### **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 actions 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 actions summarised above and detailed below.



## **Drawbridge Operations**

As described above during the March quarter, Drawbridge provided Molopo with a brief operations update for the December quarter on the oil & gas properties which Drawbridge operates (and in which Molopo holds a 30% non-voting interest).

According to the operations update, which Molopo has not been able to independently verify, Drawbridge production at its Fenix production facility in Texas USA averaged 30 bbls per day for total production in the quarter of 2713 bbls, down from 45 bbls per day for total production in the quarter of 4041 bbls as reported to Molopo for the June 2018 quarter, a 33% decrease in production over the 6 month period to December 2018. In addition, 4 wells were drilled during the December quarter however due to significant rain across Texas, Drawbridge reported that flooding has delayed operations in the field.

No operations update has been received from Drawbridge for the March 2019 quarter.

Drawbridge has provided Molopo with limited financial information as at 31 December 2018 which comprise draft financial statements which are not meaningful and cannot be verified or relied on by Molopo or its auditors. The unaudited financial accounts provided by Drawbridge show a remaining cash balance as of 31 December 2018 of approximately US\$1.39 Million. If these financial statements are accurate (which Molopo has been unable to verify given that Drawbridge has not provided any supporting evidence) then Drawbridge has, since February 2018, spent in excess of US\$16.6 Million of the capital contributed by Molopo, on acquiring oil and gas projects and operating expenses which includes management fees paid to Drawbridge management and their related entities.

## **Capital, Operating Expenses and Financial Reporting**

Molopo held AU\$12.65 Million in cash reserves at the end of the March 2019 quarter, which excludes any interest in cash remaining in Drawbridge.

Operating expenses during the quarter were AU\$0.66 Million which mainly comprised of legal expenses associated with the legal actions undertaken by Molopo against the Former Directors in Australia, and parties associated with Drawbridge entities in the USA.



## **Legal actions**

**Molopo Energy Canada Limited** - During the March quarter, Molopo agreed to a request received from the newly appointed legal counsel for Nova Scotia 310 ULC (the plaintiff) to appoint a case management judge and orders have now been made to that effect. The case management judge will consider the litigation timetable to be proposed by counsel for the plaintiff. The Company also received a request from Nova Scotia 310 ULC counsel for parties to conduct and conclude all remaining oral discovery matters in the legal action, which has been continuing for some years. Molopo has not been advised of any other changes to the status of the action brought by the plaintiff.

**Drawbridge** – the Company is actively pursuing legal claims in the USA against the Drawbridge group of companies.

The Current Directors intend to continue pursuing all legal avenues available to Molopo to unwind the Orient / Drawbridge Transactions and recover the funds invested by the Company in the Combination Transaction.

**Former Directors** – the Company continues to vigorously pursue its claims in the Supreme Court of Victoria against the above-mentioned former directors of the Company and remains confident that this will result in a successful recovery against the Former Directors and under the Company's D&O policy. The applicable D&O policies provide a total of AU\$30 Million in cover to the Company.

Due to the volume of discoverable documents in the proceedings, the current amended Timetable of orders made by the Supreme Court of Victoria are as follows:

1. the defendants file and serve expert evidence by 21 June 2019;
2. the plaintiff file and serve evidence in reply by 12 July 2019;
3. Mediation to take place by 9 August 2019, but not before 19 July 2019;
4. The matter be listed for further directions hearing on 16 August 2019.

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



## **DEFINITIONS:**

<b>Combination Transaction</b>	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
<b>Contribution Agreement</b>	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
<b>Current Directors</b>	Messrs Roger Corbett, Tony Hartnell, Ralph Curton jr. and William Johnson
<b>Drawbridge</b>	Drawbridge Energy Holdings Ltd, a British Virgin Islands entity
<b>EDA</b>	The Exploration and Development Agreement, effective 1 July 2017, between Kerogen and Orient
<b>ESGM</b>	ESGM Investments Limited (special purpose vehicle said to be held by Dr Gil Feiler)
<b>Former Directors</b>	Messrs Baljit Johal, Matthew Cudmore, Richard Matthews, Ronen Rosengart and Alexandre Gabovich.
<b>Kerogen</b>	Kerogen Florida Energy Company LP
<b>Orient</b>	Orient FRC Ltd, a British Virgin Islands entity
<b>Orient / Drawbridge Transactions</b>	The Orient Transactions and the Combination Transaction
<b>Orient Project</b>	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



# MOLOPO ENERGY LIMITED

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## Appendix 5B Mining exploration entity quarterly report

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### **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

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### **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.