



# MOLOPO ENERGY LIMITED

ABN 79 003 152 154

## Mining exploration entity quarterly activities report

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24 July 2019

**Molopo Energy Limited** (“**Molopo**” or the “**Company**”) presents its quarterly activities report for the three-month period ended 30 June 2019. *(Definitions are found at the end of this report).*

### **Executive Summary**

As advised in previous quarterly reports and in the 2018 Annual Report, the Board of Molopo continues to undertake detailed investigations into the Orient Transactions and the Drawbridge Transactions culminating in the commitment to the Combination Transaction.

The Combination Transaction was entered into by 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. This has been supported by the subsequent findings of the Takeovers Panel.

The Orient Transaction involved a US\$14 Million investment by Molopo to acquire all issued shares in Orient FRC Limited. As a wholly owned subsidiary of Molopo, Orient committed to the Drawbridge Transactions and acquired a 30% non-voting A class share interest in Drawbridge, in consideration for which Molopo transferred its interest in Orient and contributed a further US\$18 Million under the Contribution Agreement in February 2018 and incurred a further US\$3 Million of associated expenses.

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.

During the quarter, the Current Directors resolved that they do not consider the oil & gas exploration and production assets held by Drawbridge to have any value and accordingly Molopo’s investment through Orient was impaired to Nil, as reported in the 31 December 2018 Annual Report.

Although the Current Directors have impaired the investment in full, they continue to vigorously pursue legal proceedings against the Former Directors of the Company responsible for entering into these transactions to hold them accountable for breach of directors’ duties with the objective of recovering as much value as possible for Molopo shareholders.



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The Current Directors remain firmly of the view that the litigation proceedings against the Former Directors provides the best opportunity for Molopo shareholders to recover any value from the actions undertaken by Former Directors entering into the Orient Transactions and the Drawbridge Transactions.

### **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 litigation actions referred to above.

### **Drawbridge Operations**

No operations update has been received from Drawbridge for the March and June 2019 quarters.

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

Molopo held AU\$12.33 Million in cash reserves at the end of the June 2019 quarter, which excludes an interest in any cash remaining in Drawbridge, which cannot be verified.

Operating expenses during the quarter were AU\$397,000 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.

In June 2019, Molopo successfully recovered CAD\$490,000 from the Canadian Revenue Authority (CRA) being full rebate of a withholding tax assessment. The payment was received



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in July 2019. A further payment of CAD\$82,543.75 is also due to be received relating to interest on the refund.

### **Legal actions**

**Molopo Energy Canada Limited** - Molopo has not been advised of any material changes to the status of the action brought by the plaintiff.

**Drawbridge** – the Company’s legal action in the USA against the Drawbridge group of companies remains on foot. However, there has been no material change to the status of that action since last reporting.

**Former Directors** – as stated above the Company continues to vigorously pursue its claims in the Supreme Court of Victoria against the Former Directors of the Company. It remains confident that this will result in a successful recovery against the Former Directors.

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



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### **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 or to be acquired by Drawbridge and which included obligations on Drawbridge to provide quarterly financial and operations reports to Orient 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>Drawbridge Transaction</b>	Orient's investments to acquire a 30% non-voting interest in Drawbridge including its commitment to obligations under the Contribution Agreement.
<b>Former Directors</b>	Messrs Baljit Johal, Matthew Cudmore, Richard Matthews, Ronen Rosengart and Alexandre Gabovich.
<b>Orient</b>	Orient FRC Ltd, a British Virgin Islands entity.
<b>Orient / Drawbridge Transactions</b>	The Orient Transactions and the Drawbridge Transactions.
<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.
<b>Orient Transactions</b>	The acquisition by Molopo of 50% of Orient from Dr Gil Feiler, the redemption by Orient of 50% of Orient from ESGM being an entity associated with Dr Gil Feiler, including any loans advanced 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.