

# **Molopo Energy Limited**

**ABN 79003152154**

**Annual Report - 31 December 2020**

**Molopo Energy Limited**  
**Corporate directory**  
**31 December 2020**

Directors	Roger Corbett AO (Independent Non-executive Chairman) William Johnson (Independent Non-executive Director) Ralph Curton (Independent Non-executive Director) Anthony Hartnell AM (Independent Non-executive Director)
Company secretary	Andrew Metcalfe
Registered office	C/- Accosec & Associates Level 26, 360 Collins Street Melbourne Victoria, 3000 Australia
Principal place of business	C/- Accosec & Associates Level 26, 360 Collins Street Melbourne Victoria, 3000 Australia
Share register	Computershare Investor Services Pty Ltd Yarra Falls 452 Johnston Street Abbotsford VIC 3067 Australia Telephone: (61 3) 9415 4000
Auditor	BDO Audit Pty Ltd Collins Square, Tower 4 Level 18, 727 Collins Street Melbourne, Victoria 3008 Australia
Bankers	National Australia Bank Limited Level 1, 330 Collins Street, Melbourne, VIC, 3000, Australia National Bank of Canada 1800-311 – 6th Avenue S.W., Calgary, AB T2P 3H2, Canada
Stock exchange listing	Molopo Energy Limited shares are listed on the Australian Securities Exchange (ASX code: MPO) Australian Securities Exchange Limited Level 4, North Tower, 525 Collins Street Melbourne, VIC 3000 Australia
Website	<a href="http://www.molopoenergy.com">www.molopoenergy.com</a>

**Molopo Energy Limited**  
**Directors' report**  
**31 December 2020**

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Molopo Energy Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 31 December 2020.

**Directors**

The following persons were Directors of Molopo Energy Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Roger Corbett - Independent Non-Executive Chairman  
William Johnson - Independent Non-Executive Director  
Ralph Curton - Independent Non-Executive Director  
Anthony Hartnell - Independent Non-Executive Director

**Dividends**

There were no dividends paid, recommended or declared during the current or previous financial year.

**Review of operations**

The loss for the consolidated entity after providing for income tax amounted to \$2,376,000 (31 December 2019: loss of \$1,971,000).

**Executive Summary**

Corporate

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 Board has addressed the issue of its suspension from trading of Molopo shares with the ASX during the course of the financial year and up to the date of this report. ASX have advised that as Molopo has been unable to satisfy ASX that it is in the final stages of implementing a transaction that would lead to the resumption of trading of its securities, ASX will proceed with the removal of MPO from the official list at the close of business on Thursday 1 April 2021.

As previously reported, the Company is not pursuing any new oil and gas activities, outside of those which it holds indirectly through its 100% owned subsidiary, Orient FRC Limited ('Orient') which holds a 30% non-voting interest in Drawbridge Energy Holdings Limited ('Drawbridge').

Molopo has continued to pursue recovery actions in relation to the Orient Transactions and the Drawbridge Transactions which were entered into by former Directors of Molopo without seeking shareholder approval. The Orient/Drawbridge Transactions involve in aggregate a US\$35 Million investment by Molopo in Orient FRC Limited, a British Virgin Islands entity which, as a wholly-owned subsidiary of Molopo, acquired a 30% non-voting A class share interest in Drawbridge. Sopris Energy Investments Ltd., another British Virgin Islands entity is the majority 70% shareholder of Drawbridge and holds 100% of the voting rights in Drawbridge which it appears to have acquired without contributing any cash or other assets to the transaction.

The current Directors maintain these actions were in breach of director's duties, the ASX Listing Rules, ASX continuous disclosure obligations and provisions of the Corporations Act. This position has been supported by subsequent findings of the Takeovers Panel.

Molopo commenced proceedings against Drawbridge and associated parties in the USA seeking, inter alia, to unwind the Orient/Drawbridge Transactions and restrain Drawbridge from disposing of funds advanced by Orient FRC. These proceedings have been unsuccessful in recovering funds.

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Actions were also commenced against Baljit Johal, Richard Matthews, Matthew Cudmore, Ronen Rosengart and subsequently Alexandre Gabovich and the Estate of the Late Samuel Belzberg (Former Directors) in the Supreme Court of Victoria seeking damages for breach of their director duties by entering into the Orient/Drawbridge Transactions. The litigation proceedings against the Former Directors provided 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.

A mediation between the parties was held on 4<sup>th</sup> March 2021 in Melbourne, Australia. As announced to the market on 5<sup>th</sup> March 2021, the mediation was not resolved and the matter returned to court for further directions on 19 March 2021. At that directions hearing, the court made an order consolidating the proceedings and other orders relating to further discovery and the matter was stood over for further directions on 7 May 2021.

#### Drawbridge Operations

On 9<sup>th</sup> March 2021, Molopo received from Drawbridge the December 2020 (4<sup>th</sup> Qtr) Financial Statements and an Operations update which reported nil operations and diminished capital.

#### 2020 Annual General Meeting

At the Company's Annual General Meeting (AGM) held on 25 May 2020, shareholders voted to re-elect Anthony Hartnell as a Director and voted against the removal of William Johnson as a Director. Shareholders voted against the 2019 Remuneration Report and the Company received its first strike.

#### Legal actions

As noted above Molopo initiated legal actions in Australia against the Former Directors for breach of their directors' duties in relation to committing Molopo to the Orient/Drawbridge Transactions.

In 2018 the Company initiated proceedings in USA against Drawbridge and associated parties, inter alia, to unwind the Orient/Drawbridge Transactions and restrain Drawbridge from disposing of funds advanced by Orient FRC. In September 2020, all claims were discontinued without prejudice.

Molopo Energy Canada Limited (MECL), a wholly owned subsidiary of the Company, continues to defend the long-standing legal action in Canada against MECL, pursuant to Court consent orders for case management of those proceedings. No further material developments in those proceedings have been advised.

#### **Significant changes in the state of affairs**

There were no significant changes in the state of affairs of the consolidated entity during the financial year.

#### **Matters subsequent to the end of the financial year**

The Board has addressed the issue of its suspension from trading of Molopo shares with the ASX during the course of the financial year and up to the date of this report. ASX have advised that as Molopo has been unable to satisfy ASX that it is in the final stages of implementing a transaction that would lead to the resumption of trading of its securities, ASX will proceed with the removal of MPO from the official list at the close of business on Thursday 1 April 2021.

No other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

#### **Likely developments and expected results of operations**

This report does not include future developments and the expected results of operations as Directors believe it would likely lead to unreasonable prejudice to the consolidated entity.

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**Environmental regulation**

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

**Company Secretary**

Mr Andrew Metcalfe

**Meetings of Directors**

The number of meetings of the Company's Board of Directors ('the Board') held during the year ended 31 December 2020, and the number of meetings attended by each Director were:

	Full Board	
	Attended	Held
Roger Corbett - Independent Non-Executive Chairman	9	9
William Johnson - Independent Non-Executive Director	9	9
Ralph Curton jr — Independent Non-Executive Director	9	9
Anthony Hartnell — Independent Non-Executive Director	8	9

Held: represents the number of meetings held (excluding circular resolutions) during the time the Director held office.

The Directors have elected not to form sub-committees of the Board.

**Remuneration report (audited)**

The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all Directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Share-based compensation
- Additional disclosures relating to key management personnel

***Principles used to determine the nature and amount of remuneration***

The objective of the consolidated entity is to ensure reward for performance is competitive and appropriate for the results delivered. The policy framework is driven by the current status of the Company and ensures that remuneration satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- transparency

The Board of Directors ('the Board'), in the absence of the People & Culture Committee, is responsible for determining and reviewing remuneration arrangements for its directors and key management personnel. The performance of the consolidated entity depends on the quality of its directors and key management personnel.

***Non-executive Directors remuneration***

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Board. The Board may, from time to time, benchmark fees to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. Non-executive directors do not receive share options or other incentives.

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ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The most recent determination was at the 2010 Annual General Meeting, where the shareholders approved a maximum annual aggregate remuneration of AU\$650,000.

*Key Management Personnel remuneration*

The consolidated entity aims to reward key management personnel based on their position and responsibility, and for the reporting period was represented by base pay and non-monetary benefits.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Board based on individual and business performance, the overall performance of the consolidated entity and comparable market remunerations.

No short-term incentives ('STI') or long-term incentives ('LTI') programs were established for key management personnel remuneration in the reporting period as all remuneration was fixed and consisted of base salary and superannuation, where applicable. Since the date of the 2020 Annual General Meeting there has been no executive director remuneration.

*Consolidated entity performance and link to remuneration*

During the financial year ended 31 December 2020, no remuneration was linked to the performance of the consolidated entity.

*Use of remuneration consultants*

During the financial year ended 31 December 2020, the consolidated entity, did not engage the services of remuneration consultants.

*Voting and comments made at the Company's Annual General Meeting ('AGM')*

At the 2020 AGM, 40.73% of the votes received supported the adoption of the remuneration report for the year ended 31 December 2019 and the resolution was not carried, resulting in the Company receiving a first strike against its remuneration report.

**Details of remuneration**

*Amounts of remuneration*

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		Total
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled	Termination benefits	
<b>31 Dec 2020</b>	\$	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>								
R. Corbett	111,600	-	-	-	-	-	-	111,600
W. Johnson	76,164	-	-	7,236	-	-	-	83,400
R. Curton jr *	87,268	-	-	-	-	-	-	87,268
A. Hartnell	76,164	-	-	7,236	-	-	-	83,400
<i>Other Key Management Personnel:</i>								
A. Metcalfe **	111,920	-	-	-	-	-	-	111,920
R. Chan ***	15,475	-	-	-	-	-	-	15,475
	<u>478,591</u>	<u>-</u>	<u>-</u>	<u>14,472</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>493,063</u>

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\* Mr R Curton jr is a resident of USA and received fees totalling USD60,000, paid in United States dollars.

\*\* Accosec Pty Ltd, a company related to and controlled by Mr A Metcalfe, has provided company secretarial, compliance and support services to the consolidated entity.

\*\*\* Mr R Chan is a non-executive director of the Company's three Canadian subsidiary companies and a resident of Canada and held office for the entire reporting period. Mr Chan receives fees totalling CAD\$15,000, paid in Canadian dollars.

31 Dec 2019	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		Total \$
	Cash salary and fees \$	Cash bonus \$	Non-monetary \$	Super-annuation \$	Long service leave \$	Equity-settled \$	Termination benefits \$	
<i>Non-Executive Directors:</i>								
R. Corbett	111,600	-	-	-	-	-	-	111,600
W. Johnson	76,164	-	-	7,236	-	-	-	83,400
R. Curton jr *	83,735	-	-	-	-	-	-	83,735
A. Hartnell	76,164	-	-	7,236	-	-	-	83,400
<i>Other Key Management Personnel:</i>								
A. Metcalfe **	154,065	-	-	-	-	-	-	154,065
R. Chan ***	15,853	-	-	-	-	-	-	15,853
	<u>517,581</u>	<u>-</u>	<u>-</u>	<u>14,472</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>532,053</u>

**Share-based compensation**

*Issue of shares*

There were no shares issued to Directors and other key management personnel forming part of compensation during the year ended 31 December 2020.

*Options*

There were no options over ordinary shares issued to Directors and other key management personnel forming part of compensation that were outstanding as at 31 December 2020.

There were no options over ordinary shares granted to or vested by Directors and other key management personnel forming part of compensation during the year ended 31 December 2020.

**Additional disclosures relating to key management personnel**

*Shareholding*

The number of shares in the Company held during the financial year by each Director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
<i>Ordinary shares</i>					
Roger Corbett	1,657,715	-	-	-	1,657,715
Anthony Hartnell	70,028	-	-	-	70,028
Andrew Metcalfe	69,193	-	-	-	69,193
	<u>1,796,936</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,796,936</u>

***This concludes the remuneration report, which has been audited.***

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**Shares under option**

There were no unissued ordinary shares of Molopo Energy Limited under option outstanding at the date of this report.

**Shares issued on the exercise of options**

There were no ordinary shares of Molopo Energy Limited issued on the exercise of options during the year ended 31 December 2020 and up to the date of this report.

**Indemnity and insurance of officers**

The Company has indemnified the Directors and executives of the Company for costs incurred, in their capacity as a Director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the Directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

**Indemnity and insurance of auditor**

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

**Proceedings on behalf of the Company**

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

**Non-audit services**

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Consolidated Entity are important.

Details of the amounts paid or payable to the auditor (BDO Audit Pty Ltd and their respective related entities) for non-audit services provided during the year are set out in Note 16.

**Officers of the Company who are former partners of BDO Audit Pty Ltd.**

The BDO entity performing the audit of the Group transitioned from BDO East Coast Partnership to BDO Audit Pty Ltd on 1 August 2020. There are no officers of the Company who are former partners of BDO East Coast Partnership & BDO Audit Pty Ltd.

**Rounding of amounts**

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this Directors' report.

**Molopo Energy Limited**  
**Directors' report**  
**31 December 2020**

**Auditor**

BDO Audit Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the Directors

A handwritten signature in black ink, appearing to read 'Roger Corbett', with a stylized flourish at the end.

Roger Corbett  
Chairman

31 March 2021  
Melbourne

## DECLARATION OF INDEPENDENCE BY WAI AW TO THE DIRECTORS OF MOLOPO ENERGY LIMITED

As lead auditor of Molopo Energy Limited for the year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Molopo Energy Limited and the entities it controlled during the period.



Wai Aw  
Director

**BDO Audit Pty Ltd**

Melbourne, 31 March 2021

## **Molopo Energy Limited**

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### **General information**

The financial statements cover Molopo Energy Limited as a consolidated entity consisting of Molopo Energy Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Molopo Energy Limited's functional and presentation currency.

Molopo Energy Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

C/- Accosec & Associates  
Level 26, 360 Collins Street  
Melbourne Victoria, 3000 Australia

A description of the nature of the consolidated entity's operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 31 March 2021. The Directors have the power to amend and reissue the financial statements.

**Molopo Energy Limited**  
**Statement of profit or loss and other comprehensive income**  
**For the year ended 31 December 2020**

		<b>Consolidated</b>	
	<b>Note</b>	<b>31 Dec 2020</b>	<b>31 Dec 2019</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Revenue</b>			
Other income	4	-	517
Interest received		101	343
<b>Expenses</b>			
Salary and employee benefits expense		(381)	(370)
Administration		(790)	(896)
Legal, management and consulting fees		(669)	(1,548)
Other expenses	5	(637)	(17)
Total expenses		<u>(2,477)</u>	<u>(2,831)</u>
<b>Loss before income tax expense</b>		(2,376)	(1,971)
Income tax expense	6	<u>-</u>	<u>-</u>
<b>Loss after income tax expense for the year attributable to the owners of Molopo Energy Limited</b>	13	(2,376)	(1,971)
<b>Other comprehensive income/(loss)</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		<u>(225)</u>	<u>74</u>
Other comprehensive income/(loss) for the year, net of tax		<u>(225)</u>	<u>74</u>
<b>Total comprehensive income/(loss) for the year attributable to the owners of Molopo Energy Limited</b>		<u><u>(2,601)</u></u>	<u><u>(1,897)</u></u>
		<b>Cents</b>	<b>Cents</b>
Basic loss per share	24	(0.954)	(0.791)
Diluted loss per share	24	(0.954)	(0.791)

*The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*

**Molopo Energy Limited**  
**Statement of financial position**  
**As at 31 December 2020**

	Note	Consolidated 31 Dec 2020 \$'000	31 Dec 2019 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	8,367	10,699
Trade and other receivables	8	9	7
Other	9	492	620
<b>Total current assets</b>		<u>8,868</u>	<u>11,326</u>
<b>Total assets</b>		<u>8,868</u>	<u>11,326</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	10	<u>204</u>	<u>61</u>
<b>Total current liabilities</b>		<u>204</u>	<u>61</u>
<b>Total liabilities</b>		<u>204</u>	<u>61</u>
<b>Net assets</b>		<u>8,664</u>	<u>11,265</u>
<b>Equity</b>			
Issued capital	11	157,321	157,321
Reserves	12	(1,702)	(1,477)
Accumulated losses	13	<u>(146,955)</u>	<u>(144,579)</u>
<b>Total equity</b>		<u>8,664</u>	<u>11,265</u>

*The above statement of financial position should be read in conjunction with the accompanying notes*

**Molopo Energy Limited**  
**Statement of changes in equity**  
**For the year ended 31 December 2020**

<b>Consolidated</b>	<b>Issued capital \$'000</b>	<b>Foreign currency translation reserve \$'000</b>	<b>Accumulated losses \$'000</b>	<b>Total equity \$'000</b>
Balance at 1 January 2019	157,321	(1,551)	(142,608)	13,162
Loss after income tax expense for the year	-	-	(1,971)	(1,971)
Other comprehensive income/(loss) for the year, net of tax	-	74	-	74
Total comprehensive income/(loss) for the year	-	74	(1,971)	(1,897)
Balance at 31 December 2019	<u>157,321</u>	<u>(1,477)</u>	<u>(144,579)</u>	<u>11,265</u>

<b>Consolidated</b>	<b>Issued capital \$'000</b>	<b>Foreign currency translation reserve \$'000</b>	<b>Accumulated losses \$'000</b>	<b>Total equity \$'000</b>
Balance at 1 January 2020	157,321	(1,477)	(144,579)	11,265
Loss after income tax expense for the year	-	-	(2,376)	(2,376)
Other comprehensive income/(loss) for the year, net of tax	-	(225)	-	(225)
Total comprehensive income/(loss) for the year	-	(225)	(2,376)	(2,601)
Balance at 31 December 2020	<u>157,321</u>	<u>(1,702)</u>	<u>(146,955)</u>	<u>8,664</u>

*The above statement of changes in equity should be read in conjunction with the accompanying notes*

**Molopo Energy Limited**  
**Statement of cash flows**  
**For the year ended 31 December 2020**

		<b>Consolidated</b>	
	<b>Note</b>	<b>31 Dec 2020</b>	<b>31 Dec 2019</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees		(2,216)	(3,607)
Interest received		101	360
Other revenue		-	517
		<u>          </u>	<u>          </u>
Net cash used in operating activities	23	<u>(2,115)</u>	<u>(2,730)</u>
		<u>          </u>	<u>          </u>
Net cash from investing activities		<u>-</u>	<u>-</u>
		<u>          </u>	<u>          </u>
Net cash from financing activities		<u>-</u>	<u>-</u>
		<u>          </u>	<u>          </u>
Net decrease in cash and cash equivalents		(2,115)	(2,730)
Cash and cash equivalents at the beginning of the financial year		10,699	13,325
Effects of exchange rate changes on cash and cash equivalents		(217)	104
		<u>          </u>	<u>          </u>
Cash and cash equivalents at the end of the financial year	7	<u><u>8,367</u></u>	<u><u>10,699</u></u>

*The above statement of cash flows should be read in conjunction with the accompanying notes*

### **Note 1. Significant accounting policies**

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### **New or amended Accounting Standards and Interpretations adopted**

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

#### **Going concern**

The consolidated entity is considered a going concern as its current assets exceed its current liabilities by \$8,664,000 at the reporting date, and there is no indication that in the 12 month period from the date of this report that the consolidated entity will be in a position that it cannot meet its future commitments as and when they fall due.

#### **Basis of preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

#### *Historical cost convention*

The financial statements have been prepared under the historical cost convention.

#### *Critical accounting estimates*

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

#### **Parent entity information**

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 20.

#### **Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Molopo Energy Limited ('Company' or 'parent entity') as at 31 December 2020 and the results of all subsidiaries for the year then ended. Molopo Energy Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

**Note 1. Significant accounting policies (continued)**

**Operating segments**

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

**Foreign currency translation**

The financial statements are presented in Australian dollars, which is Molopo Energy Limited's functional and presentation currency.

*Foreign currency transactions*

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

*Foreign operations*

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency translation reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

**Revenue recognition**

The consolidated entity recognises revenue as follows:

*Interest*

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

*Other revenue*

Other revenue is recognised when it is received or when the right to receive payment is established.

**Income tax**

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

**Note 1. Significant accounting policies (continued)**

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

**Current and non-current classification**

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

**Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**Trade and other receivables**

Trade and other receivables are recognised at amortised cost, less any allowance for expected credit losses.

**Trade and other payables**

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

**Fair value measurement**

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

**Issued capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**Earnings per share**

*Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to the owners of Molopo Energy Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

**Note 1. Significant accounting policies (continued)**

*Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

**Goods and Services Tax ('GST') and other similar taxes**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

**Rounding of amounts**

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

**Comparative figures**

Comparatives have been reclassified so as to be consistent with the presentation in the current year.

**New Accounting Standards and Interpretations not yet mandatory or early adopted**

Refer to Note 25 - New standards and interpretations.

**Note 2. Critical accounting judgements, estimates and assumptions**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

*Classification of contingent assets and liabilities*

Judgement is required in assessing the likely outcome of ongoing litigation and claims to determine if recognition or disclosure is required in the financial statements. The consolidated entity determines the classification based on commercial judgement and taking into consideration legal opinion.

*Fair value measurement hierarchy*

The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

**Note 2. Critical accounting judgements, estimates and assumptions (continued)**

*Income tax*

The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

*Recovery of deferred tax assets*

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

**Note 3. Operating segments**

*Identification of reportable operating segments*

The consolidated entity is organised into 3 operating segments: Australia, Canada & USA. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on a monthly basis.

*Intersegment transactions*

Intersegment transactions were made at market rates.

*Intersegment receivables, payables and loans*

Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

*Operating segment information*

<b>Consolidated - 31 Dec 2020</b>	Australia \$'000	Canada \$'000	USA \$'000	Total \$'000
<b>EBITDA</b>	(2,476)	(1)	-	(2,477)
Interest revenue	79	22	-	101
<b>Profit/(loss) before income tax expense</b>	<u>(2,397)</u>	<u>21</u>	<u>-</u>	<u>(2,376)</u>
Income tax expense				-
<b>Loss after income tax expense</b>				<u>(2,376)</u>
<b>Assets</b>				
Segment assets	8,766	63	39	8,868
<b>Total assets</b>				<u>8,868</u>
<b>Liabilities</b>				
Segment liabilities	167	37	-	204
<b>Total liabilities</b>				<u>204</u>

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**Note 3. Operating segments (continued)**

<b>Consolidated - 31 Dec 2019</b>	Australia \$'000	Canada \$'000	USA \$'000	Total \$'000
<b>EBITDA</b>	(2,313)	-	(1)	(2,314)
Interest revenue	213	2	128	343
<b>Profit/(loss) before income tax expense</b>	<u>(2,100)</u>	<u>2</u>	<u>127</u>	<u>(1,971)</u>
Income tax expense				-
<b>Loss after income tax expense</b>				<u>(1,971)</u>
<b>Assets</b>				
Segment assets	<u>9,228</u>	<u>1,841</u>	<u>257</u>	<u>11,326</u>
<b>Total assets</b>				<u>11,326</u>
<b>Liabilities</b>				
Segment liabilities	<u>32</u>	<u>29</u>	<u>-</u>	<u>61</u>
<b>Total liabilities</b>				<u>61</u>

**Note 4. Other income**

	<b>Consolidated</b>	
	<b>31 Dec 2020</b>	<b>31 Dec 2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Other income*	<u>-</u>	<u>517</u>

\*Other income for FY 2019 is represented by a CAD\$490,000 withholding tax refund issued by the Canadian Revenue Authority.

**Note 5. Other expenses**

	<b>Consolidated</b>	
	<b>31 Dec 2020</b>	<b>31 Dec 2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Other expenses*	619	-
Net foreign exchange loss	<u>18</u>	<u>17</u>
	<u>637</u>	<u>17</u>

\*Other Expenses for FY 2020 is represented by \$619,000 loss of funds as a result of a cyber fraud misdirected payment.

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**Note 6. Income tax**

	<b>Consolidated</b>	
	<b>31 Dec 2020</b>	<b>31 Dec 2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense	(2,376)	(1,971)
Tax at the statutory tax rate of 30%	(713)	(591)
Current year tax losses not recognised	713	591
Income tax expense	<u>-</u>	<u>-</u>

The tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

**Note 7. Current assets - cash and cash equivalents**

	<b>Consolidated</b>	
	<b>31 Dec 2020</b>	<b>31 Dec 2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash at bank	2,356	2,329
Cash on deposit	6,011	8,370
	<u>8,367</u>	<u>10,699</u>

**Note 8. Current assets - trade and other receivables**

	<b>Consolidated</b>	
	<b>31 Dec 2020</b>	<b>31 Dec 2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Other receivables	<u>9</u>	<u>7</u>

**Note 9. Current assets - other**

	<b>Consolidated</b>	
	<b>31 Dec 2020</b>	<b>31 Dec 2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Prepayments	<u>492</u>	<u>620</u>

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**Note 10. Current liabilities - trade and other payables**

	<b>Consolidated</b>	
	<b>31 Dec 2020</b>	<b>31 Dec 2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Trade payables	169	32
Other payables	35	29
	<u>204</u>	<u>61</u>

Refer to note 14 for further information on financial risk management.

**Note 11. Equity - issued capital**

	<b>Consolidated</b>			
	<b>31 Dec 2020</b>	<b>31 Dec 2019</b>	<b>31 Dec 2020</b>	<b>31 Dec 2019</b>
	<b>Shares</b>	<b>Shares</b>	<b>\$'000</b>	<b>\$'000</b>
Ordinary shares - fully paid	<u>249,040,648</u>	<u>249,040,648</u>	<u>157,321</u>	<u>157,321</u>

*Ordinary shares*

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

*Share buy-back*

There is no current on-market share buy-back.

*Capital risk management*

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current Company's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term.

The capital risk management policy remains unchanged from the 2019 Annual Report.

**Note 12. Equity - reserves**

	<b>Consolidated</b>	
	<b>31 Dec 2020</b>	<b>31 Dec 2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Foreign currency reserve	<u>(1,702)</u>	<u>(1,477)</u>

**Note 13. Equity - accumulated losses**

	<b>Consolidated</b>	
	<b>31 Dec 2020</b>	<b>31 Dec 2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Accumulated losses at the beginning of the financial year	(144,579)	(142,608)
Loss after income tax expense for the year	<u>(2,376)</u>	<u>(1,971)</u>
Accumulated losses at the end of the financial year	<u><u>(146,955)</u></u>	<u><u>(144,579)</u></u>

**Note 14. Financial risk management**

***Financial risk management objectives***

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by senior key management personnel ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units and reports to the Board on a monthly basis.

***Market risk***

***Foreign currency risk***

The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

<b>Consolidated</b>	<b>Assets</b>		<b>Liabilities</b>	
	<b>31 Dec 2020</b>	<b>31 Dec 2019</b>	<b>31 Dec 2020</b>	<b>31 Dec 2019</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
US dollars	251	309	-	-
Canadian dollars	<u>1,741</u>	<u>1,844</u>	<u>-</u>	<u>-</u>
	<u><u>1,992</u></u>	<u><u>2,153</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

**Sensitivity Analysis**

A 10 percent change of the Australian dollar against the USD and the CAD at 31 December 2020 would have increased / (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

**Note 14. Financial risk management (continued)**

Consolidated - 31 Dec 2020	% change	AUD strengthened		% change	AUD weakened	
		Effect on profit before tax	Effect on equity		Effect on profit before tax	Effect on equity
AUD/CAD	-	23	23	-	25	25
AUD/USD	-	158	158	-	174	174
		<u>181</u>	<u>181</u>		<u>199</u>	<u>199</u>

Significant assumptions used in the foreign currency exposure sensitivity analysis above include:

- Reasonably possible movements in foreign exchange rates were determined based on a review of the last five-years historical movements.
- The reasonably possible movement of 10% was calculated by taking the foreign currency spot rates as at balance date, moving this spot rate by 10% and then re-converting the foreign currency into AUD with the “new spot-rate”. This methodology reflects the translation methodology undertaken by the Group.
- The net exposure at balance date is representative of what the Group was and is expecting to be exposed to in the next twelve months from balance date.
- The sensitivity analysis includes only the impact on the balance of financial assets and financial liabilities at balance date.

*Price risk*

The consolidated entity is not exposed to any significant price risk.

*Interest rate risk*

The Group does not have any borrowings and therefore no significant exposure to interest rate risk. No interest is currently charged in relation to receivable or payable balances. The Group’s exposure relates to the cash balances held.

**Credit risk**

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the consolidated entity.

Credit risk is managed on a Group basis. The credit risk of the Group arises from cash and cash equivalents, deposits with banks and financial institutions, including outstanding receivables. For banks and financial institutions, only independently rated parties with a minimum Standard & Poor’s credit rating of A (or equivalent) are accepted.

The consolidated entity’s maximum exposures to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the Consolidated Statement of Financial Position.

**Liquidity risk**

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

**Fair value of financial instruments**

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

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**Note 15. Key management personnel disclosures**

	Consolidated 31 December 2020 \$	Consolidated 31 December 2019 \$
Short-term employee benefits	478,592	517,581
Post-employment benefits	<u>14,471</u>	<u>14,472</u>
	<u><u>493,063</u></u>	<u><u>532,053</u></u>

**Note 16. Remuneration of auditors**

	Consolidated 31 December 2020 \$	Consolidated 31 December 2019 \$
Audit services - BDO* and related network firms		
- Audit and review of the financial statements	46,629	50,000
Other services - BDO* and related network firms		
- Tax compliance - Australia	6,500	5,500
- Tax compliance - Canada	8,695	8,500
- Other professional services - Australia	<u>36,745</u>	<u>67</u>
	<u><u>98,569</u></u>	<u><u>64,067</u></u>

\* The BDO entity performing the audit of the Group transitioned from BDO East Coast Partnership to BDO Audit Pty Ltd on 1 August 2020. The disclosures include amounts received or due and receivable by BDO East Coast Partnership, BDO Audit Pty Ltd and their respective related entities.

**Note 17. Contingent assets**

In September 2014, Molopo Energy Limited (the Company) sold 100% of its shares in Molopo Energy South Africa Exploration and Production Proprietary Limited (Molopo SA) to Windfall Energy Pty Ltd. (a Sth African private company) under a Share Purchase Agreement. Included in the 2014 agreement to sell Molopo SA to Windfall was the assignment of a claim and loan account of RAND 50m against Molopo SA. The RAND 50m loan is equivalent to AU\$5m. The loan represented funds lent by the Company to Molopo SA that holds an onshore production license to develop and produce compressed natural gas.

In August 2015 Renegen Limited, an emerging producer of helium and liquefied natural gas, acquired all shares in Molopo SA and in doing so acquired the obligation to repay the loan to the Company.

Repayment of the loan is contingent upon the Molopo SA assets being developed by Renegen and generating revenues. Renegen is currently developing the Virginia Gas Plant to produce helium and LNG by 2021.

The loan agreement is from the inception of the loan in May 2013 until 31 December 2022. The loan is unsecured and interest free. If the loan is not repaid by December 2022, the loan bears interest at prime overdraft (lending rate) plus 2% and will have no repayment terms. However, Renegen shareholder loans can only be repaid after the Molopo Energy Limited loan has been settled. Repayments to the Company will be made if Renegen declare a dividend. In these circumstances, 36% of the annual profit that is able to be paid as a dividend must first be paid to the Company in consideration for repayment of the loan.

Although Renegen Limited has made progress in its business, Molopo Energy Limited continues to consider the RAND 50m loan to be a contingent asset as there continues to be sufficient uncertainty surrounding the recoverability of the loan.

**Note 17. Contingent assets (continued)**

In 2019, Renergen made an offer to Molopo Energy Limited to extinguish the loan which was rejected by the Board. No further offer has been received.

**Note 18. Contingent liabilities**

There exists a series of historical legal actions initiated in Canada concerning the Company and Molopo Energy Canada Ltd. ("MECL"), a wholly owned subsidiary of the Company, all of which relate to the sale by MECL of its interests in various oil and gas assets on 1 March 2011, summarised as follows:

1. One of MECL's former joint venture partners (3105682 Nova Scotia ULC ("310 ULC")) commenced legal action in 2011 against MECL claiming MECL breached various agreements relating to the relevant joint venture, including breach of fiduciary duties, trust and good faith. 310 ULC has sought declarations, accountings, damages of 25% revenue, C\$35.0 (A\$35.64) million general damages, C\$1.0 (A\$1.0) million punitive and aggravated damages, interest, GST and indemnity costs.

The Group has previously made a C\$8.4 (A\$8.55) million provision in its prior financial statements in relation to this litigation. Molopo Energy Limited as parent company, is itself not a party to these proceedings. Whilst the litigation commenced in 2011, it is considered that the legal action will not be heard in court for at least a further 3 years. In 2018, given the information presented it was determined to write-back the provision to NIL and reflect the legal action as a contingent liability. The Board has determined that there is no further change to this decision as the litigation has not progressed.

2. 310 ULC also commenced legal action in 2013 against the purchaser of MECL's interests in the assets, Legacy Oil & Gas Inc. ("Legacy"), as successor in title to MECL, claiming that Legacy continued some breaches allegedly committed by MECL and committed further breaches of the agreements relating to the relevant joint venture, including breaches of fiduciary duties, trust and good faith. 310 ULC has sought declarations, accountings, damages of 25% revenue, C\$90.0 (A\$91.66) million general damages, C\$1.0 (A\$1.0) million punitive and aggravated damages, interest, GST and indemnity costs.

Legacy has issued a third-party notice to both MECL and Molopo on the basis of indemnities provided by MECL to Legacy in the sale agreement between MECL and Legacy, and a guarantee provided by Molopo to Legacy in relation to MECL's obligations under the sale agreement. In June 2015, Legacy was acquired by Crescent Point Energy Corporation, an oil and gas company based in Calgary, Canada.

MECL and Molopo have not yet been required to file any defence to the third-party claim.

**Note 19. Related party transactions**

*Parent entity*

Molopo Energy Limited is the parent entity.

*Subsidiaries*

Interests in subsidiaries are set out in note 21.

*Key management personnel*

Disclosures relating to key management personnel are set out in note 15 and the remuneration report included in the Directors' report.

*Transactions with related parties*

There were no transactions with related parties during the current and previous financial year.

*Receivable from and payable to related parties*

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

*Loans to/from related parties*

There were no loans to or from related parties at the current and previous reporting date.

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**Note 20. Parent entity information**

Set out below is the supplementary information about the parent entity.

*Statement of profit or loss and other comprehensive income*

	<b>Parent</b>	
	<b>31 Dec 2020</b>	<b>31 Dec 2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Loss after income tax	(2,398)	(1,897)
Total comprehensive income/(loss)	(2,398)	(1,897)

*Statement of financial position*

	<b>Parent</b>	
	<b>31 Dec 2020</b>	<b>31 Dec 2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Total current assets	8,765	9,227
Total assets	8,833	11,298
Total current liabilities	169	33
Total liabilities	169	33
Equity		
Issued capital	157,321	157,321
Accumulated losses	(148,657)	(146,056)
Total equity	<u>8,664</u>	<u>11,265</u>

*Guarantees entered into by the parent entity in relation to the debts of its subsidiaries*

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 31 December 2019 and 31 December 2020.

*Contingent liabilities*

The parent entity had no contingent liabilities as at 31 December 2019 and 31 December 2020.

*Capital commitments - Property, plant and equipment*

The parent entity had no capital commitments for property, plant and equipment as at 31 December 2019 and 31 December 2020.

*Significant accounting policies*

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

**Molopo Energy Limited**  
**Notes to the financial statements**  
**31 December 2020**

**Note 21. Interests in subsidiaries**

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name	Principal place of business / Country of incorporation	Ownership interest	
		31 Dec 2020 %	31 Dec 2019 %
Molopo USA LLC	USA	100%	100%
Molopo Energy Texas LLC	USA	100%	100%
Orient FRC Limited	British Virgin Islands	100%	100%
Molopo Energy Holdings Ltd	Canada	100%	100%
Molopo Energy Canada Ltd	Canada	100%	100%
Molopo Canada Calico Ltd	Canada	100%	100%

**Note 22. Events after the reporting period**

The Board has addressed the issue of its suspension from trading of Molopo shares with the ASX during the course of the financial year and up to the date of this report. ASX have advised that as Molopo has been unable to satisfy ASX that it is in the final stages of implementing a transaction that would lead to the resumption of trading of its securities, ASX will proceed with the removal of MPO from the official list at the close of business on Thursday 1 April 2021.

No other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

**Note 23. Reconciliation of loss after income tax to net cash used in operating activities**

	Consolidated	
	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Loss after income tax expense for the year	(2,376)	(1,971)
Change in operating assets and liabilities:		
Decrease in trade and other receivables	-	11
Decrease/(increase) in prepayments	128	(113)
Increase in other receivables	(2)	-
Increase/(decrease) in trade and other payables	135	(657)
Net cash used in operating activities	<u>(2,115)</u>	<u>(2,730)</u>

**Note 24. Earnings per share**

	<b>Consolidated</b>	
	<b>31 Dec 2020</b>	<b>31 Dec 2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Loss after income tax attributable to the owners of Molopo Energy Limited	<u>(2,376)</u>	<u>(1,971)</u>
	<b>Cents</b>	<b>Cents</b>
Basic loss per share	(0.954)	(0.791)
Diluted loss per share	(0.954)	(0.791)
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>249,040,648</u>	<u>249,040,648</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>249,040,648</u>	<u>249,040,648</u>

**Note 25. New Standards and Interpretations**

(a) New, Revised or Amending Accounting Standards and Interpretations Adopted

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are relevant to their operations and effective for the year.

The following Accounting Standards and Interpretations are most relevant to the Group:

*Conceptual Framework for Financial Reporting (Conceptual Framework)*

The Group has adopted the revised Conceptual Framework from 1 January 2020. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards, but it has not had a material impact on the Group's financial statements.

(b) New, Revised or Amending Accounting Standards and Interpretations Not Yet Effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 31 December 2020. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

**Molopo Energy Limited**  
**Directors' declaration**  
**31 December 2020**

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the Directors



Roger Corbett  
Chairman

31 March 2021  
Melbourne

## INDEPENDENT AUDITOR'S REPORT

To the members of Molopo Energy Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Molopo Energy Limited (the Company) and its subsidiaries (the Group), which comprises the statement of financial position as at 31 December 2020, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2020 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters to communicate in our report.

#### Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 31 December 2020, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



### **Responsibilities of the directors for the Financial Report**

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at: [https://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf)

This description forms part of our auditor's report.

### **Report on the Remuneration Report**

#### **Opinion on the Remuneration Report**

We have audited the Remuneration Report included in pages 4 to 6 of the directors' report for the year ended 31 December 2020.

In our opinion, the Remuneration Report of Molopo Energy Limited, for the year ended 31 December 2020, complies with section 300A of the *Corporations Act 2001*.

#### **Responsibilities**

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

**BDO Audit Pty Ltd**

BDO

Wai Aw  
Director

Melbourne, 31 March 2021

**Molopo Energy Limited**  
**Shareholder information**  
**31 December 2020**

The shareholder information set out below was applicable as at 29 March 2021.

**Distribution of equitable securities**

Analysis of number of equitable security holders by size of holding:

	Ordinary shares		Options over ordinary shares		Ordinary shares
	Number of holders	% of total shares issued	Number of holders	% of total shares issued	Number of Shares
1 to 1,000	669	0.14	-	-	351,080
1,001 to 5,000	1,421	1.62	-	-	4,031,441
5,001 to 10,000	652	2.03	-	-	5,063,041
10,001 to 100,000	1,001	12.55	-	-	31,238,045
100,001 and over	122	83.66	-	-	208,357,041
	<u>3,865</u>	<u>100.00</u>	<u>-</u>	<u>-</u>	<u>249,040,648</u>
Holding less than a marketable parcel	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Unmarketable Parcels - Minimum \$ 500.00 parcel cannot be calculated due to no share price.

**Equity security holders**

*Twenty largest quoted equity security holders*

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
ION LIMITED	49,687,332	19.95
KEYBRIDGE CAPITAL LIMITED	46,017,543	18.48
THE COMMONWEALTH OF AUSTRALIA	43,207,195	17.35
BELZBERG AND CO LTD	22,828,725	9.17
BNP PARIBAS NOMINEES PTY LTD [IB AU NOMS RETAILCLIENT DRP]	5,774,455	2.32
RUBI HOLDINGS PTY LTD [JOHN RUBINO SUPERFUND A/C]	3,200,000	1.28
SPORRAN LEAN PTY LTD [SPORRAN LEAN S/F A/C]	2,367,499	0.95
CITICORP NOMINEES PTY LIMITED	2,198,702	0.88
R & R CORBETT PTY LTD [R C CORBETT FAMILY A/C]	1,657,715	0.67
PAKASOLUTO PTY LIMITED [BARKL FAMILY SUPER FUND A/C]	1,286,658	0.52
MRS JANET BACKHOUSE	1,270,000	0.51
GIBRALT CAPITAL CORPORATION	1,188,526	0.48
BHL PENSION PTY LTD [BHL PENSION FUND A/C]	1,000,000	0.40
MR TIMOTHY JOHN MULLER + MR BARRY PETER BROTT	922,000	0.37
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	905,557	0.36
MR STEVEN HENRY GREATOREX	632,000	0.25
MR JAMES GARDINER	600,000	0.24
MR HAN KOEN LEE + MRS LIEN NIO LEE [THE LEE SUPER FUND A/C]	560,000	0.22
VP CAPITAL INVESTMENTS PTY LTD [BLUE SKY A/C]	521,000	0.21
G CHAN PENSION PTY LTD [CHAN SUPER FUND A/C]	500,000	0.20
	<u>186,324,907</u>	<u>74.81</u>

*Unquoted equity securities*

There are no unquoted equity securities.

**Molopo Energy Limited**  
**Shareholder information**  
**31 December 2020**

**Substantial holders**

Substantial holders in the Company are set out below:

	<b>Ordinary shares</b>	
	<b>Number held</b>	<b>% of total shares issued</b>
ION LIMITED	49,687,332	19.95
KEYBRIDGE CAPITAL LIMITED	46,017,543	18.48
THE COMMONWEALTH OF AUSTRALIA	43,207,195	17.35
BELZBERG AND CO LTD	22,828,725	9.17

**Voting rights**

The voting rights attached to ordinary shares are set out below:

*Ordinary shares*

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.