

Molopo Energy Limited

ABN 79003152154

Annual Report - 31 December 2021

Molopo Energy Limited
Corporate directory
31 December 2021

| | |
|-----------------------------|--|
| Directors | Roger Corbett AO (Independent Non-executive Chairman) John Patton (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 |
| Website | www.molopoenergy.com |

Molopo Energy Limited
Directors' report
31 December 2021

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 2021.

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
John Patton - Independent Non-Executive Director (appointed 5 July 2021)
Ralph Curton - Independent Non-Executive Director (retired 26 May 2021, appointed 8 July 2021)
Anthony Hartnell - Independent Non-Executive Director
William Johnson – Independent Non-Executive Director (retired 26 May 2021)

Dividends

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

Review of operations

The profit for the consolidated entity after providing for income tax amounted to \$10,997,000 (31 December 2020: loss of \$2,376,000).

Executive Summary

Corporate

Molopo's shares were removed from the Official List of the ASX on 1 April 2021.

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').

In December 2021, Molopo settled the proceedings in the Supreme Court of Victoria against the D&O Insurers and former directors of the Company.

The settlement comprised a payment to Molopo in the sum of AU \$12 million net to Molopo without admission of liability and mutual releases between Molopo as plaintiff and the D&O Insurers and former directors as defendants.

Following the three-year legal action the Board agreed to settle proceedings after having due regard to all relevant matters including their protracted nature, escalating legal costs which would be exacerbated by a lengthy court hearing, the position of the D&O Insurers on exclusions under the D&O insurance policies and the personal circumstances of the former directors.

After careful consideration and given all the surrounding circumstances, the Board is satisfied that despite the significant loss incurred by Molopo and shareholders from the various transactions associated with the Orient/Drawbridge investments in 2017 and 2018 it was in the interests of shareholders to have settled the proceedings on the terms agreed.

Drawbridge Operations

On 10 December 2021, Molopo received Financial Statements and an Operations Report for 3Qtr-2021 which Drawbridge was required to provide within 60 days of the end of that quarter as ordered by the Court. As at the date of this Directors Report, no further reports have been received by Molopo. The Directors are unable to rely on these Financial Statements and Operations Reports with any confidence as they provide no financial detail and do not disclose any significant update on project operations.

2021 Annual General Meeting

At the Company's Annual General Meeting (AGM) held on 26 May 2021, shareholders voted against the re-election of Mr Ralph Curton jr as a Director. Mr William Johnson who did not stand for re-election and retired at the conclusion of the AGM. Subsequent to the AGM, the Board appointed Mr John Patton and Mr Ralph Curton jr as directors.

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Legal actions

As mentioned under the Executive Summary, Molopo settled the legal actions against the former directors of Molopo, Baljit Johal, Richard Matthews, Matthew Cudmore, Ronnen Rosengart and subsequently Alexandre Gabovich and the Estate of the Late Samuel Belzberg (Former Directors) for breach of their directors' duties in relation to committing Molopo to the Orient/Drawbridge Transactions, and also the D&O Insurers who were subsequently joined to the proceedings.

Molopo Energy Canada Limited (MECL), a wholly owned subsidiary of the Company, continued to defend the long-standing legal action in Canada against MECL, pursuant to Court consent orders for case management of those proceedings.

Significant changes in the state of affairs

Other than mentioned under the Executive Summary, 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 Canadian litigation action entered a discovery process involving lawyers representing all parties interviewing persons associated with MECL, Legacy Oil & Gas Ltd and 3105682 Nova Scotia ULC, with such discovery process expected to be concluded in the second half of 2022.

No other matter or circumstance has arisen since 31 December 2021 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..

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 2021, and the number of meetings attended by each Director were:

| | Full Board Attended | Held |
|---|------------------------|------|
| Roger Corbett - Independent Non-Executive Chairman | 12 | 12 |
| William Johnson - Independent Non-Executive Director (retired 26 May 2021) | 5 | 5 |
| Ralph Curton jr -- Independent Non-Executive Director (retired 26 May 2021 & reappointed 8 July 2021) | 10 | 10 |
| Anthony Hartnell -- Independent Non-Executive Director | 12 | 12 |
| John Patton - Independent Non-Executive Director (appointed 5 July 2021) | 6 | 6 |

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.

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 2021 and up to the date of this report.

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Directors' report
31 December 2021

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.

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.

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



Roger Corbett
Chairman

8 April 2022
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 2021, 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, 8 April 2022

Molopo Energy Limited

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31 December 2021

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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 an unlisted 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 8 April 2022. 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 2021

| | | Consolidated | |
|--|-------------|----------------------|-----------------------|
| | Note | 31 Dec 2021 | 31 Dec 2020 |
| | | \$'000 | \$'000 |
| Revenue | | | |
| Other income | 4 | 12,766 | - |
| Interest received | | 8 | 101 |
| Expenses | | | |
| Salary and employee benefits expense | | (353) | (381) |
| Administration | | (811) | (790) |
| Legal, management and consulting fees | | (613) | (669) |
| Other expenses | 5 | - | (637) |
| Total expenses | | <u>(1,777)</u> | <u>(2,477)</u> |
| Profit/(loss) before income tax expense | | 10,997 | (2,376) |
| Income tax expense | 6 | <u>-</u> | <u>-</u> |
| Profit/(loss) after income tax expense for the year attributable to the owners of Molopo Energy Limited | 13 | 10,997 | (2,376) |
| Other comprehensive income/(loss) | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | |
| Foreign currency translation | | <u>4</u> | <u>(225)</u> |
| Other comprehensive income/(loss) for the year, net of tax | | <u>4</u> | <u>(225)</u> |
| Total comprehensive income/(loss) for the year attributable to the owners of Molopo Energy Limited | | <u><u>11,001</u></u> | <u><u>(2,601)</u></u> |
| | | Cents | Cents |
| Basic earnings per share | 24 | 4.416 | (0.954) |
| Diluted earnings per share | 24 | 4.416 | (0.954) |

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 2021

| | | Consolidated | |
|----------------------------------|-------------|---------------------|--------------------|
| | Note | 31 Dec 2021 | 31 Dec 2020 |
| | | \$'000 | \$'000 |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 7 | 19,181 | 8,367 |
| Trade and other receivables | 8 | 11 | 9 |
| Other | 9 | 563 | 492 |
| Total current assets | | <u>19,755</u> | <u>8,868</u> |
| Total assets | | <u>19,755</u> | <u>8,868</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 10 | <u>90</u> | <u>204</u> |
| Total current liabilities | | <u>90</u> | <u>204</u> |
| Total liabilities | | <u>90</u> | <u>204</u> |
| Net assets | | <u>19,665</u> | <u>8,664</u> |
| Equity | | | |
| Issued capital | 11 | 157,321 | 157,321 |
| Reserves | 12 | (1,698) | (1,702) |
| Accumulated losses | 13 | <u>(135,958)</u> | <u>(146,955)</u> |
| Total equity | | <u>19,665</u> | <u>8,664</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 2021

| Consolidated | Issued capital \$'000 | Foreign currency translation reserve \$'000 | Accumulated losses \$'000 | Total equity \$'000 |
|--|----------------------------------|--|--|--------------------------------|
| 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> |

| Consolidated | Issued capital \$'000 | Foreign currency translation reserve \$'000 | Accumulated losses \$'000 | Total equity \$'000 |
|--|----------------------------------|--|--|--------------------------------|
| Balance at 1 January 2021 | 157,321 | (1,702) | (146,955) | 8,664 |
| Profit after income tax expense for the year | - | - | 10,997 | 10,997 |
| Other comprehensive income/(loss) for the year, net of tax | - | 4 | - | 4 |
| Total comprehensive income/(loss) for the year | - | 4 | 10,997 | 11,001 |
| Balance at 31 December 2021 | <u>157,321</u> | <u>(1,698)</u> | <u>(135,958)</u> | <u>19,665</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 2021

| | | Consolidated | |
|--|-------------|----------------------|---------------------|
| | Note | 31 Dec 2021 | 31 Dec 2020 |
| | | \$'000 | \$'000 |
| Cash flows from operating activities | | | |
| Payments to suppliers and employees | | (1,850) | (2,216) |
| Interest received | | 8 | 101 |
| Other revenue: | | | |
| - Settlement funds - Supreme Court | | 12,000 | - |
| - Cyber fraud funds recovery | | 650 | - |
| | | <u>10,808</u> | <u>(2,115)</u> |
| Net cash from/(used in) operating activities | 23 | | |
| Net cash from investing activities | | <u>-</u> | <u>-</u> |
| Net cash from financing activities | | <u>-</u> | <u>-</u> |
| Net increase/(decrease) in cash and cash equivalents | | 10,808 | (2,115) |
| Cash and cash equivalents at the beginning of the financial year | | 8,367 | 10,699 |
| Effects of exchange rate changes on cash and cash equivalents | | <u>6</u> | <u>(217)</u> |
| Cash and cash equivalents at the end of the financial year | 7 | <u><u>19,181</u></u> | <u><u>8,367</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 \$19,665,000 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 2021 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 income

Other income 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 two 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; and Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. 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 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

| Consolidated - 31 Dec 2021 | Australia \$'000 | Canada \$'000 | USA \$'000 | Total \$'000 |
|---|---------------------|------------------|---------------|-----------------|
| EBITDA | 10,990 | - | - | 10,990 |
| Interest revenue | 7 | - | - | 7 |
| Profit before income tax expense | <u>10,997</u> | <u>-</u> | <u>-</u> | <u>10,997</u> |
| Income tax expense | | | | - |
| Profit after income tax expense | | | | <u>10,997</u> |
| Assets | | | | |
| Segment assets | <u>19,645</u> | <u>68</u> | <u>42</u> | <u>19,755</u> |
| Total assets | | | | <u>19,755</u> |
| Liabilities | | | | |
| Segment liabilities | <u>50</u> | <u>40</u> | <u>-</u> | <u>90</u> |
| Total liabilities | | | | <u>90</u> |

Molopo Energy Limited
Notes to the financial statements
31 December 2021

Note 3. Operating segments (continued)

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

Note 4. Other income

| | Consolidated | |
|-----------------------------|----------------------|--------------------|
| | 31 Dec 2021 | 31 Dec 2020 |
| | \$'000 | \$'000 |
| Net foreign exchange income | 86 | - |
| Other income* | <u>12,680</u> | <u>-</u> |
| Other income | <u><u>12,766</u></u> | <u><u>-</u></u> |

*Other income for FY 2021 is represented by -
Settlement funds - Supreme Court \$12,000,000
Cyber fraud funds recovery \$650,000
Recovery of legal costs \$30,000

Note 5. Other Expenses

| | Consolidated | |
|---------------------------|---------------------|--------------------|
| | 31 Dec 2021 | 31 Dec 2020 |
| | \$'000 | \$'000 |
| Other expenses* | - | 619 |
| Net foreign exchange loss | <u>-</u> | <u>18</u> |
| | <u><u>-</u></u> | <u><u>637</u></u> |

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

Molopo Energy Limited
Notes to the financial statements
31 December 2021

Note 6. Income tax

| | Consolidated | |
|---|---------------------|--------------------|
| | 31 Dec 2021 | 31 Dec 2020 |
| | \$'000 | \$'000 |
| <i>Numerical reconciliation of income tax expense and tax at the statutory rate</i> | | |
| Profit/(loss) before income tax expense | 10,997 | (2,376) |
| Tax at the statutory tax rate of 30% | 3,299 | (713) |
| Current year tax losses not recognised | - | 713 |
| Recoupment of income against prior year tax losses: | | |
| - Settlement funds recovery (after offset against carry forward capital losses) | (3,104) | |
| - Cyber fraud funds recovery | (195) | - |
| 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.

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilise the benefits.

| | | |
|---|------------|--------------|
| Unused tax losses for which no deferred tax asset has been recognised | 2,125 | 10,648 |
| Potential tax benefit @ 30% | <u>638</u> | <u>3,194</u> |

Franking Account

| | | |
|--|---------------|---------------|
| The balance of the Company's franking account is a franking credit balance of: | <u>14,706</u> | <u>14,706</u> |
|--|---------------|---------------|

Note 7. Current assets - cash and cash equivalents

| | Consolidated | |
|-----------------|---------------------|--------------------|
| | 31 Dec 2021 | 31 Dec 2020 |
| | \$'000 | \$'000 |
| Cash at bank | 13,162 | 2,356 |
| Cash on deposit | 6,019 | 6,011 |
| | <u>19,181</u> | <u>8,367</u> |

Note 8. Current assets - trade and other receivables

| | Consolidated | |
|-------------------|---------------------|--------------------|
| | 31 Dec 2021 | 31 Dec 2020 |
| | \$'000 | \$'000 |
| Other receivables | <u>11</u> | <u>9</u> |

Note 9. Current assets - other

| | Consolidated | |
|-------------|---------------------|--------------------|
| | 31 Dec 2021 | 31 Dec 2020 |
| | \$'000 | \$'000 |
| Prepayments | <u>563</u> | <u>492</u> |

Molopo Energy Limited
Notes to the financial statements
31 December 2021

Note 10. Current liabilities - trade and other payables

| | Consolidated | |
|----------------|---------------------|--------------------|
| | 31 Dec 2021 | 31 Dec 2020 |
| | \$'000 | \$'000 |
| Trade payables | 50 | 169 |
| Other payables | 40 | 35 |
| | <u>90</u> | <u>204</u> |

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

Note 11. Equity - issued capital

| | Consolidated | | | |
|------------------------------|---------------------|--------------------|--------------------|--------------------|
| | 31 Dec 2021 | 31 Dec 2020 | 31 Dec 2021 | 31 Dec 2020 |
| | Shares | Shares | \$'000 | \$'000 |
| 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 2020 Annual Report.

Note 12. Equity - reserves

| | Consolidated | |
|--------------------------|---------------------|--------------------|
| | 31 Dec 2021 | 31 Dec 2020 |
| | \$'000 | \$'000 |
| Foreign currency reserve | <u>(1,698)</u> | <u>(1,702)</u> |

Note 13. Equity - accumulated losses

| | Consolidated | |
|---|-------------------------|-------------------------|
| | 31 Dec 2021 | 31 Dec 2020 |
| | \$'000 | \$'000 |
| Accumulated losses at the beginning of the financial year | (146,955) | (144,579) |
| Profit/(loss) after income tax expense for the year | <u>10,997</u> | <u>(2,376)</u> |
| Accumulated losses at the end of the financial year | <u><u>(135,958)</u></u> | <u><u>(146,955)</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:

| Consolidated | Assets | | Liabilities | |
|---------------------|---------------------|---------------------|--------------------|--------------------|
| | 31 Dec 2021 | 31 Dec 2020 | 31 Dec 2021 | 31 Dec 2020 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| US dollars | 154 | 251 | - | - |
| Canadian dollars | <u>1,085</u> | <u>1,741</u> | - | - |
| | <u><u>1,239</u></u> | <u><u>1,992</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 2021 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 2021 | % change | AUD strengthened | | % change | AUD weakened | |
|----------------------------|----------|-----------------------------|------------------|----------|-----------------------------|------------------|
| | | Effect on profit before tax | Effect on equity | | Effect on profit before tax | Effect on equity |
| AUD/CAD | - | 99 | 99 | - | 108 | 108 |
| AUD/USD | - | 14 | 14 | - | 15 | 15 |
| | | <u>113</u> | <u>113</u> | | <u>123</u> | <u>123</u> |

| 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/USD | - | 23 | 23 | - | 25 | 25 |
| AUD/CAD | - | 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.

Molopo Energy Limited
Notes to the financial statements
31 December 2021

Note 14. Financial risk management (continued)

Fair value of financial instruments

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

Note 15. Key management personnel disclosures

| | Consolidated 31 December 2021 \$ | Consolidated 31 December 2020 \$ |
|------------------------------|---|---|
| Short-term employee benefits | 402,505 | 478,592 |
| Post-employment benefits | 10,441 | 14,471 |
| | <u>412,946</u> | <u>493,063</u> |

Note 16. Remuneration of auditors

| | Consolidated 31 December 2021 \$ | Consolidated 31 December 2020 \$ |
|--|---|---|
| Audit services - BDO and related network firms | - | - |
| - Audit and review of the financial statements | 30,000 | 46,629 |
| Other services - BDO and related network firms | - | - |
| - Tax compliance - Australia | 5,000 | 6,500 |
| - Tax compliance - Canada | 2,216 | 8,695 |
| - Other professional services - Australia | - | 36,745 |
| | <u>37,216</u> | <u>98,569</u> |

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 Energy Pty Ltd was the assignment of a claim and loan account of RAND 50m against Molopo SA. The RAND 50m loan is equivalent to AU\$4.58m (at 31 December 2021). The loan represented funds lent by the Company to Molopo SA.

In August 2015 Renergen 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 Renergen and generating revenues.

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 31 December 2022, the loan will then bear interest at prime overdraft (lending rate) plus 2% and will have no repayment terms and become payable on demand. However, Renergen shareholder loans can only be repaid after the Molopo Energy Limited loan has been settled. Also, repayments to the Company are to be made if Renergen declares 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.

Consistent with past practice, Molopo Energy Limited continues to disclose the RAND 50m loan as a contingent asset.

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.

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.

Molopo Energy Limited
Notes to the financial statements
31 December 2021

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

| | Parent | |
|-----------------------------------|--------------------|--------------------|
| | 31 Dec 2021 | 31 Dec 2020 |
| | \$'000 | \$'000 |
| Profit/(loss) after income tax | 10,996 | (2,398) |
| Total comprehensive income/(loss) | 10,996 | (2,398) |

Statement of financial position

| | Parent | |
|---------------------------|--------------------|--------------------|
| | 31 Dec 2021 | 31 Dec 2020 |
| | \$'000 | \$'000 |
| Total current assets | 19,645 | 8,765 |
| Total assets | 19,711 | 8,833 |
| Total current liabilities | 50 | 169 |
| Total liabilities | 50 | 169 |
| Equity | | |
| Issued capital | 157,321 | 157,321 |
| Accumulated losses | (137,660) | (148,657) |
| Total equity | <u>19,661</u> | <u>8,664</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 2020 and 31 December 2021.

Contingent liabilities

The parent entity had no contingent liabilities as at 31 December 2020 and 31 December 2021.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 31 December 2020 and 31 December 2021.

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.
- 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 2021

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 2021 % | 31 Dec 2020 % |
| 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 Callco Ltd | Canada | 100% | 100% |

Note 22. Events after the reporting period

The Canadian litigation action entered a discovery process involving lawyers representing all parties interviewing persons associated with MECL, Legacy Oil & Gas Ltd and 3105682 Nova Scotia ULC, with such discovery process expected to be concluded in the second half of 2022.

No other matter or circumstance has arisen since 31 December 2021 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 profit/(loss) after income tax to net cash from/(used in) operating activities

| | Consolidated | |
|---|-----------------------|-----------------------|
| | 31 Dec 2021 \$'000 | 31 Dec 2020 \$'000 |
| Profit/(loss) after income tax expense for the year | 10,997 | (2,376) |
| Change in operating assets and liabilities: | | |
| Decrease in prepayments | 88 | 128 |
| Increase in other receivables | (1) | (2) |
| Decrease in trade & other payables | (117) | - |
| Increase in trade and other payables | - | 135 |
| Increase in other assets | (159) | - |
| Net cash from/(used in) operating activities | <u>10,808</u> | <u>(2,115)</u> |

Molopo Energy Limited
Notes to the financial statements
31 December 2021

Note 24. Earnings per share

| | Consolidated | |
|---|---------------------|--------------------|
| | 31 Dec 2021 | 31 Dec 2020 |
| | \$'000 | \$'000 |
| Profit/(loss) after income tax attributable to the owners of Molopo Energy Limited | <u>10,997</u> | <u>(2,376)</u> |
| | Cents | Cents |
| Basic earnings per share | 4.416 | (0.954) |
| Diluted earnings per share | 4.416 | (0.954) |
| | Number | Number |
| 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 2021. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Molopo Energy Limited
Directors' declaration
31 December 2021

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Australian 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 2021 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

8 April 2022
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 2021, 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 Molopo Energy Limited, 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 2021 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.

Other information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the Directors' report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly 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 on the other information obtained prior to the date of this auditor's report, 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:

http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf

This description forms part of our auditor's report.

BDO Audit Pty Ltd

BDO



Wai Aw

Director

Melbourne, 8 April 2022