Molopo Energy Limited

ABN 79 003 152 154

Annual Report - 31 December 2022

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 2022

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 2022.

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 AO – Independent Non-Executive Chairman, BComm: Roger is an Australian businessman and former CEO and Group Managing Director of Woolworths Limited, the largest retail company in Australia, where he served from 1990 to 2006. In 2003, Corbett was appointed a Member of the Order of Australia (AM) for his service to the retail industry, particularly as a contributor to the development of industry policy and standards, and to the community. In 2008, he was promoted to an officer of the Order of Australia (AO) for service to business, particularly through leadership and executive roles in the retail sector and a range of allied organisations, and to the community. Roger is formerly a director and non-executive chairman of Mayne Pharma Group Limited, an Australian specialist pharmaceutical company and chairman of Australian Leisure and Hospitality Group Limited (AHL Group). He also served on the Salvation Army Advisory Board. Further, Roger is a former director of the Reserve Bank of Australia and a former chairman of Fairfax Media Limited (a major Australian newspaper, magazine and internet publisher), where he also served as chairman of the Nominations Committee and formerly served as chairman of the Audit Risk Committee.

John Patton – Independent Non-Executive Director, B.Ec, CA (ICAA), F Fin: John is a senior executive with extensive finance experience in the corporate and professional services sectors. Mr Patton was previously a Partner with Ernst & Young in the Transactions Advisory Services division. With over 30 years of professional services and industry experience, Mr Patton has extensive corporate finance credentials, having been involved in over 150 corporate transactions, including mergers & acquisitions (lead advisory), structuring, debt and equity raisings, IPO's, management buy-outs, valuations (including Independent Expert Reports), due diligence, financial modelling, restructuring and corporate advisory. In addition, Mr Patton held the positions of CFO, acting CEO and alternate director of the Epic Energy group, a major infrastructure owner of high-pressure gas transmission pipelines in Australia. John is currently the managing director of Aurora Funds Management Limited, a non-executive director of Metgasco Ltd (ASX: MEL), a non-executive director of Yowie Group Limited (ASX: YOW).

Ralph Curton – Independent Non-Executive Director: Ralph has been instrumental in creating large oil and gas projects that have included assembling, acquiring, developing, and selling in excess of 50,000 acres of oil and gas leases. Included in these projects were producing properties and development prospects. These projects were spread over a multi state geographical area including Louisiana, North Dakota, Oklahoma, Texas and Utah. Ralph begun his oil and gas career in 1976 as the owner of a private exploration and production company. He was a pioneer in the exploration of the Cotton Valley Oak Hill oilfield in East Texas, a low-risk, technology-sensitive play covering several hundred square miles. He has served as a director on the board of Amarillo-based EnergyNet.com, the world's largest internet platform for oil and gas properties.

Anthony Hartnell AM – Independent Non-Executive Director, ANU B Ec (ANU), LLB(Hons) (ANU), LLM (Highest Hons) (Geo. Washington Uni): Tony was previously the inaugural Chairman of what is now known as the Australian Securities and Investment Commission (ASIC) from 1989 to 1992. Tony was a founding partner of Atanaskovic Hartnell, and was formerly a Partner of Allen Allen & Hemsley, July 1980 – June 1990 & January 1993 – December 1993; Deputy Secretary, Department of Business & Consumer Affairs 1976-1979; and Senior Assistant Secretary, Australia Attorney-Generals Department 1974-1975.

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 $2,375,000 (31 December 2021: profit of $10,997,000). The principal expense incurred during the reporting period has been litigation costs associated with the continued defence of the long-standing legal action in Canada.

Executive Summary

Corporate

The Company's principal business activity is managing the litigation action in Alberta Canada and the protection of shareholder value. Potential risks associated with the company's operations are the potential liability in the event that judgement is awarded against Molopo in this action. Further details are reported below under Legal Actions.

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

The Company has a loan agreement with Renergen Limited (ASX: RLT) for South African Rand 50 million (which is equivalent to AU$4.12 million based upon the AUD:SAR exchange rate at 31 December 2022). The loan is unsecured and was interest free until 31 December 2022. From 1 January 2023, the loan bears interest at the prime overdraft rate (lending rate) plus 2%. This loan is carried at nil value in the financial statements, consistent with past practice, as outlined in Note 15.

Drawbridge Operations

Since December 2021, the Company has not received Financial Statements or an Operations Report from Drawbridge, which are required to be provided within 60 days of the end of that quarter as ordered by the Court. The Directors are therefore unable to confirm the financial position of Drawbridge given that the Company has not been provided any Financial Statements and Operations Reports.

Legal Actions

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. The Company is currently participating in a discovery legal process which is expected to conclude in June 2023 following which a mediation hearing is to be held in December 2023.

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
No matter or circumstance has arisen since 31 December 2022 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, CPA, FGIS, GAICD: Andrew is a professional company secretary and governance adviser to a range of ASX listed companies.

Meetings of Directors
A total of 9 board meetings were held during the financial year ended 31 December 2022 with directors attending all meetings. 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 2022 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 14.

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

2 May 2023
Melbourne

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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 2022, 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, 2 May 2023

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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 2 May 2023. 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 2022

	Note	Consolidated 31 Dec 2022 $'000	Consolidated 31 Dec 2021 $'000
Revenue			
Other income	3	29	12,766
Interest received		123	8
Expenses			
Salary and employee benefits expense		(383)	(353)
Administration		(710)	(811)
Legal, management and consulting fees		(1,434)	(613)
Total expenses		(2,527)	(1,777)
(Loss)/profit before income tax expense		(2,375)	10,997
Income tax expense	4	-	-
(Loss)/profit after income tax expense for the year attributable to the owners of Molopo Energy Limited	11	(2,375)	10,997
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		3	4
Other comprehensive (loss)/profit for the year, net of tax		3	4
Total comprehensive (loss)/profit for the year attributable to the owners of Molopo Energy Limited		(2,372)	11,001

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 2022

	Note	Consolidated 31 Dec 2022 $'000	Consolidated 31 Dec 2021 $'000
Assets			
Current assets			
Cash and cash equivalents	5	17,102	19,181
Trade and other receivables	6	6	11
Other	7	213	563
Total current assets		17,321	19,755
Total assets		17,321	19,755
Liabilities			
Current liabilities			
Trade and other payables	8	28	90
Total current liabilities		28	90
Total liabilities		28	90
Net assets		17,293	19,665
Equity			
Issued capital	9	157,321	157,321
Reserves	10	(1,695)	(1,698)
Accumulated losses	11	(138,333)	(135,958)
Total equity		17,293	19,665

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 2022

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 for the year, net of tax	-	4	-	4
Total comprehensive income for the year	-	4	10,997	11,001
Balance at 31 December 2021	157,321	(1,698)	(135,958)	19,665

Consolidated	Issued capital $'000	Foreign currency translation reserve $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 January 2022	157,321	(1,698)	(135,958)	19,665
Loss after income tax expense for the year	-	-	(2,375)	(2,375)
Other comprehensive income for the year, net of tax	-	3	-	3
Total comprehensive loss for the year	-	3	(2,375)	(2,372)
Balance at 31 December 2022	157,321	(1,695)	(138,333)	17,293

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 2022

	Note	Consolidated 31 Dec 2022 $'000	Consolidated 31 Dec 2021 $'000
Cash flows from operating activities			
Payments to suppliers and employees		(2,205)	(1,850)
Interest received		123	8
Other revenue :			
- Settlement funds - Supreme Court		-	12,000
- Cyber fraud funds recovery		-	650
Net cash (used in)/from operating activities	21	(2,082)	10,808
Net cash from investing activities		-	-
Net cash from financing activities		-	-
Net (decrease)/increase in cash and cash equivalents		(2,082)	10,808
Cash and cash equivalents at the beginning of the financial year		19,181	8,367
Effects of exchange rate changes on cash and cash equivalents		3	6
Cash and cash equivalents at the end of the financial year	5	17,102	19,181

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

The consolidated entity 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 consolidated entity.

Conceptual Framework for Financial Reporting (Conceptual Framework)
The consolidated entity has adopted the revised Conceptual Framework from 1 January 2022. 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 consolidated entity'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 consolidated entity for the annual reporting period ended 31 December 2022. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

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 $17,293,000 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 18.

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 2022 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.

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

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.

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.

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

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.

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 include 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.

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

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.

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.

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.

Loan Agreement with Renergen Limited

Significant judgements and estimates are required in assessing the fair value of the loan which is deemed a financial instrument to be recognised at fair value taking into consideration various terms and events under the loan agreement that are required to first take place at Renergen before a repayment can be made. (refer Note 15).

Classification of contingent liabilities

Contingent liabilities are possible obligations whose existence will be confirmed by uncertain future events that are not wholly within the control of the entity. Contingent liabilities also include obligations that are not recognised because their amount cannot be measured reliably or because settlement is not probable.

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 of ongoing litigation and claims based on commercial judgement, taking into consideration legal opinion, whether the entity has committed an act of wrongdoing, and when it is not probable whether any settlement will be needed. (refer Note 16).

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

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 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.

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. Other income

	Consolidated	
	31 Dec 2022 $'000	**31 Dec 2021 $'000**
Net foreign exchange loss	29	86
Other income -		
Settlement funds - Supreme Court	-	12,000
Cyber fraud funds recovery	-	650
Recovery of legal costs	-	30
Other income	29	12,766

Note 4. Income tax

	Consolidated	
	31 Dec 2022 $'000	**31 Dec 2021 $'000**
Numerical reconciliation of income tax expense and tax at the statutory rate		
(loss)/profit before income tax expense	(2,375)	10,997
Tax at the statutory tax rate of 30%	(713)	3,299
Current year tax losses not recognised	713	-
Prior year tax losses not recognised now recouped	-	(3,299)
Income tax expense	-	-

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.

	Consolidated	
	31 Dec 2022 $'000	**31 Dec 2021 $'000**
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	4,500	2,125
Potential tax benefit @ 30%	1,350	638
Franking Account		
The balance of Company's franking account is a franking credit balance of :	14,706	14,706

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

Note 5. Current assets - cash and cash equivalents

	Consolidated	
	31 Dec 2022 $'000	**31 Dec 2021 $'000**
Cash at bank	17,102	13,162
Cash on deposit	-	6,019
	17,102	19,181

Note 6. Current assets - trade and other receivables

	Consolidated	
	31 Dec 2022 $'000	31 Dec 2021 $'000
Other receivables	6	11

Note 7. Current assets - other

	Consolidated	
	31 Dec 2022 $'000	31 Dec 2021 $'000
Prepayments	213	563

Note 8. Current liabilities - trade and other payables

	Consolidated	
	31 Dec 2022 $'000	31 Dec 2021 $'000
Trade payables	-	50
Other payables	28	40
	28	90

Refer to note 12 for further information on financial risk management.

Note 9. Equity - issued capital

	Consolidated			
	31 Dec 2022 Shares	31 Dec 2021 Shares	31 Dec 2022 $'000	31 Dec 2021 $'000
Ordinary shares - fully paid	249,040,648	249,040,648	157,321	157,321

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.

.

Note 10. Equity - reserves

	Consolidated	
	31 Dec 2022 $'000	31 Dec 2021 $'000
Foreign currency reserve	(1,695)	(1,698)

Note 11. Equity - accumulated losses

	Consolidated 31 Dec 2022 $'000	Consolidated 31 Dec 2021 $'000
Accumulated losses at the beginning of the financial year	(135,958)	(146,955)
(Loss)/profit after income tax expense for the year	(2,375)	10,997
Accumulated losses at the end of the financial year	(138,333)	(135,958)

Note 12. 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:

	Assets		Liabilities	
Consolidated	**31 Dec 2022 $'000**	**31 Dec 2021 $'000**	**31 Dec 2022 $'000**	**31 Dec 2021 $'000**
US dollars	64	154	-	-
Canadian dollars	169	1,085	-	-
	233	1,239	-	-

Sensitivity Analysis
A 10 percent change of the Australian dollar against the USD and the CAD at 31 December 2022 would have increased / (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

Note 12. Financial risk management (continued)

	AUD strengthened			AUD weakened		
Consolidated - 31 Dec 2022	**10% change**	**Effect on profit after tax**	**Effect on equity**	**10% change**	**Effect on profit after tax**	**Effect on equity**
AUD/CAD	-	15	15	-	17	17
AUD/USD	-	6	6	-	6	6
		21	21		23	23

	AUD strengthened			AUD weakened		
Consolidated - 31 Dec 2021	**10% change**	**Effect on profit before tax**	**Effect on equity**	**10% change**	**Effect on profit before tax**	**Effect on equity**
AUD/CAD	-	99	99	-	108	108
AUD/USD	-	14	14	-	15	15
		113	113		123	123

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 consolidated entity.
- The net exposure at balance date is representative of what the consolidated entity 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 consolidated entity 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 consolidated entity’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 consolidated basis. The credit risk of the consolidated entity 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.

Note 12. Financial risk management (continued)

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.

An adverse decision in the Canadian legal action may impact the Company's liquidity position.

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

Note 13. Key management personnel disclosures

	Consolidated 31 December 2022 $	Consolidated 31 December 2021 $
Short-term employee benefits	423,587	402,505
Post-employment benefits	7,807	10,441
	431,394	412,946

Note 14. Remuneration of auditors

	Consolidated 31 December 2022 $	Consolidated 31 December 2021 $
Audit services		
- Audit and review of the financial statements	54,000	37,385
Other services – BDO and related network firms	-	-
- Tax compliance - Australia	5,750	5,000
- Tax compliance – Canada	-	2,216
	59,750	44,601

Note 15. Loan Agreement with Renergen Limited

In September 2013, 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 2013 agreement to sell Molopo SA to Windfall Energy Pty Ltd was the assignment of a claim and loan account of South African Rand 50m against Molopo SA. The South African Rand (SAR) 50m loan is equivalent to AU$4.12m based upon the AUD:SAR exchange rate at 31 December 2022. The loan represented funds lent by the Company to Molopo SA that holds an onshore production license to develop and produce compressed natural gas. The loan is deemed to be a financial instrument to be recognised at fair value with movements to the statement of profit or loss under Accounting Standard AASB 9 *Financial Instruments.*

In August 2015 Renergen Limited (Renergen), 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 dependent upon the Molopo SA assets being developed by Renergen and generating revenues and sufficient profits in order to declare dividends to shareholders; however prior to the payment of a dividend, the loan must be repaid to Molopo first and before other Renergen shareholder loans. The Directors will continue to pursue repayment of this loan in accordance with the terms of the loan.

Note 15. Loan Agreement with Renergen Limited (continued)

The loan agreement is from the inception of the loan in May 2013 until 31 December 2022. The loan is unsecured and was interest free until 31 December 2022. As the loan was not repaid by 31 December 2022, consistent with the loan agreement, from 1 January 2023 the loan starts to accrue interest at the prime overdraft rate (lending rate) plus 2%. Further, Renergen is unable to repay any shareholder loans unless the Molopo Energy Limited loan has first been settled. Also, loan repayments are required to be made to the Company 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 Molopo Energy Limited which will be applied against the loan.

As the loan is unsecured, the Company is dependent on Renergen as to the timing of the repayment of the loan. Having regard to the recent financial and operating performance and financial position of Renergen, its current gas production operations, ongoing development of its assets, and the likelihood of Renergen declaring a dividend in the near term, the Company considers that there is significant uncertainty regarding the timeframe over which the loan will be repaid. Accordingly, Molopo has assessed the fair value of the financial instrument, being the SAR 50m loan, to be at nil $ fair value which is consistent with past practice.

Note 16. 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 consolidated entity 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 (Molopo) as parent company, is itself not a party to these proceedings. Whilst the litigation commenced in 2011, it was considered at that time that the legal action will not be heard in court for at least 3 years. In 2018, given the information presented it was determined to write-back the provision to NIL and disclose the legal action as a contingent liability. The Board has determined that there is no further change to this decision, as the matter of liability cannot be determined at this time.

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 17. Related party transactions

Parent entity
Molopo Energy Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 19.

Key management personnel
Disclosures relating to key management personnel are set out in note 13.
Transactions with related parties
There were no transactions with related parties during the current and previous financial year.

Note 17. Related party transactions (continued)

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.

Note 18. 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 December 2022 $'000	31 December 2021 $'000
(Loss)/profit after income tax	(2,376)	10,996
Total comprehensive (loss)/profit	(2,376)	10,996

Statement of financial position

	Parent	
	31 December 2022 $'000	31 December 2021 $'000
Total current assets	17,208	19,645
Total assets	17,282	19,711
Total current liabilities	(11)	50
Total liabilities	(11)	50
Equity		
Issued capital	157,321	157,321
Accumulated losses	(140,029)	(137,660)
Total equity	17,293	19,661

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 2022 (and 31 December 2021).

Contingent liabilities
The parent entity, as opposed to its wholly owned subsidiaries, had no contingent liabilities as at 31 December 2022 (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 2022 (and 31 December 2021).

Note 18. Parent entity information (continued)

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.

Note 19. 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:

		Ownership interest	
Name	**Principal place of business / Country of incorporation**	**31 Dec 2022 %**	**31 Dec 2021 %**
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 20. Events after the reporting period

No matter or circumstance has arisen since 31 December 2022 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 21. Reconciliation of (loss)/profit after income tax to net cash (used in)/from operating activities

	Consolidated	
	31 Dec 2022 $'000	**31 Dec 2021 $'000**
(Loss)/profit after income tax expense for the year	(2,375)	10,997
Change in operating assets and liabilities:		
Decrease in prepayments	191	88
Decrease/(increase) in other receivables	5	(1)
Decrease in trade & other payables	(62)	(117)
Decrease/(increase) in other assets	159	(159)
Net cash (used in)/from operating activities	(2,082)	10,808

Molopo Energy Limited
Directors' declaration
31 December 2022

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 2022 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

2 May 2023
Melbourne

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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 2022, 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 2022 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, 2 May 2023