

MEDIA RELEASE

Friday, 11 May 2018

ASX Codes : KBC; KBCPA

LETTER TO MOLOPO ENERGY LIMITED SHAREHOLDERS FOR UPCOMING ANNUAL GENERAL MEETING

Keybridge Capital Limited (**Keybridge**) is one of the largest shareholders in Molopo Energy Limited (ASX:MPO) (**Molopo**), holding nearly 20% of the issued capital of Molopo.

Molopo has convened an [annual general meeting \(AGM\)](#) on Thursday, 31 May 2018 in Melbourne.

On 8 May 2018, Molopo released its [2017 Annual Report](#) and [March 2018 Quarterly Report](#) (both over a month late per the ASX Listing Rules and Corporations Act) and an [ASX Announcement](#) which discloses for the first time a series of transactions the Molopo Board entered into between 1 January and 7 March 2018 whereby:

- US\$23.5 Million has been expended into Orient FRC Ltd (**Orient**) – this is in addition to the US\$11.5 Million previously expended on the ‘Orient Transaction’ (as announced on [22 August 2017](#) and [11 December 2017](#));
- Of the US\$35 Million expended on the Orient Transaction, US\$14 Million has been given to Gil Feiler, who has now exited his position in Orient; and
- Molopo’s interest in Orient (with Molopo’s US\$21 Million cash injection) has been exchanged for a 30% non-voting interest in Drawbridge Energy Holdings Ltd (**Drawbridge**).

Keybridge has identified a number of serious concerns about the above Orient/Gil Feiler and Drawbridge transactions and the conduct of the current Molopo Board, who are all standing for election at the upcoming AGM.

These are outlined in Keybridge’s Letter to Molopo shareholders (dated 11 May 2018), a copy of which is attached.

Keybridge also notes that in a letter to Molopo dated and released on [11 May 2018](#), ASX states that:

- Molopo has committed serious breaches of the Listing Rules;
- Molopo may have breached the Corporations Act for making misleading disclosures to ASX;
- ASX has referred its findings to ASIC for potential action against Molopo; and
- ASX requires the Orient and Drawbridge Transactions be put to Molopo shareholders for approval.

FOR FURTHER INFORMATION:

William Johnson
Director
Tel: +61 8 9214 9767
Email: wjohnson@keybridge.com.au

Victor Ho
Company Secretary
Tel: +61 8 9214 9767
Email: cosec@keybridge.com.au

ABOUT [KEYBRIDGE CAPITAL LIMITED \(ASX: KBC\)](#)

Keybridge is an investment and financial services group with a diversified portfolio of listed and unlisted investments/loan assets including in the private equity (US), life insurance (New Zealand), property and funds management sectors and strategic holdings in HHY Fund (ASX:[HHY](#)), Molopo Energy Limited (ASX:[MPO](#)), Metgasco Limited (ASX: [MEL](#)) and Yowie Group Ltd (ASX:[YOW](#)). Keybridge is also the Investment Manager of HHY.

ACT NOW BEFORE MOLOPO LOSES EVERYTHING

Dear Fellow Molopo Shareholders,

Keybridge is Molopo's second largest shareholder and, as you know, has had serious concerns regarding the leadership, management, investment strategy and corporate governance of Molopo, particularly since Molopo refused to appoint a replacement Keybridge nominee as a Director in early 2017.

Our concerns have now turned to outrage as Molopo has entered into a series of questionable transactions that have resulted in the vast majority of your shareholder monies being dissipated to third parties.

The recent 7 May 2018 ASX Announcement from Molopo reveals that on 7 March 2018, Molopo finalised a transaction that has seen another **US\$23.5 Million in cash leave Molopo** in exchange for a 30% non-voting share in an offshore entity (Drawbridge Energy Holdings Ltd) with little in the way of discernible assets (apart from the cash injected by Molopo) (**Drawbridge Transactions**). That cash depletion is in addition to US\$4.5 Million transferred in December 2017 and US\$7 Million paid to Gil Feiler in July 2017 again for little to no discernible value.

These actions have seen a total of US\$35 Million or approximately A\$47 Million leave Molopo in return for assets that Keybridge believes are essentially worthless. The actions of Molopo are compounded by the fact that all of this has occurred in flagrant disregard for the ASX Listing Rules and the Corporations Act by which the Molopo Board is bound.

The current Board of Molopo has initiated or supported actions that have:

- **Drained Molopo's cash balance by more than A\$48 Million** since 30 June 2017 – the cash balance as at 31 March 2018 is now only A\$16.9 Million of which a provision of A\$8.6 Million has been made for Canadian litigation.
- **Seen Molopo suspended from trading on ASX since 27 July 2017.**
- **Breached ASX and Corporations Act disclosure and reporting rules.**
- **Actively conducted transactions designed to trigger defeating conditions of two takeover bids for Molopo, depriving shareholders of the opportunity of selling their shares.**

Despite previous assurances by the Molopo Board to the contrary, all this has occurred without seeking the approval of Molopo shareholders.

You now have what may be **your final opportunity at the upcoming AGM** on 31 May 2018 **to protect** what little is left of **Molopo's assets** by removing the current Directors and putting in place a Board with an appropriate mix of skills and experience that better reflects and represents the will and interests of all shareholders and most importantly, the will to recover the very significant sums of money depleted from Molopo by the current Directors.

Keybridge therefore recommends that your vote **AGAINST the re-election** of the current Directors, being **BALJIT JOHAL, MATTHEW CUDMORE AND RICHARD MATTHEWS**, who have all been appointed by the Board (and not by shareholders) since the last AGM and who have presided over a Company that has remained in ASX suspension, spent nearly all of your shareholder funds, failed repeatedly to comply with its disclosure obligations and failed to even complete your Annual Report on time.

Keybridge recommends that your vote **FOR the election** of the proposed new Directors being:

- **RALPH CURTON**
- **WILLIAM JOHNSON**
- **ANTHONY HARTNELL AM**
- **ROGER CORBETT AO**

KEYBRIDGE'S SHAREHOLDER CONCERNS

Keybridge is sending this letter to you in its capacity as a shareholder of Molopo **outraged** by the recent actions of the current Board of Directors.

Molopo shares has been suspended from trading on ASX since 27 July 2017 when it announced it had entered into a strategic investment transaction (the **Orient Transaction**).

From Molopo's most recent announcement on 7 May 2018, it has become clear that the Molopo Board has been working to divert more than 80% of the Company's free cash out of Australia, for little discernible value in return. The Orient Transaction and the further Drawbridge Transactions make no commercial sense and have all been completed without shareholder approval.

In addition, the Molopo Board has demonstrated flagrant disregard for the ASX Listing Rules and the Corporations Act.

We are clearly not the only Molopo shareholder with serious concerns - this is shown by the diversity of shareholders who have put their name forward for election at the AGM.

Keybridge has put forward one proposed Director, **William Johnson**. Three other shareholders have separately nominated candidates – **Ralph Curton**, **Anthony Hartnell AM** and **Roger Corbett AO**.

We urge you as a fellow shareholder in Molopo to protect what little of value is left in Molopo by voting to replace the current Board at the AGM on 31 May 2018.

➤ **WHERE HAS ALL THE MONEY GONE?**

Molopo's 7 May 2018 announcement has the answers.

In summary, Molopo paid US\$14 Million to an individual called Gil Feiler. He has now exited with his money having sold Molopo what an independent expert has assessed as being essentially worthless assets.

Molopo then transferred a further US\$21 Million, though a convoluted corporate deal, into the control of a recently incorporated offshore company called 'Drawbridge Energy Holdings Ltd' (**Drawbridge**).

In return, Molopo now has a 30% non-voting interest in Drawbridge. In other words, Molopo has little or no control over what Drawbridge does with the money.

Apart from an interest in some oil wells producing a paltry "65-90 barrels of oil per day" (and of course, the US\$21 Million of Molopo's money!), all that Drawbridge appears to own is some exploration data together with some commitments and rights of indeterminate value to undertake oil and gas exploration.

Following the announcement of the original Orient Transaction (entered into in July 2017), we were so concerned with Molopo's 'investment' that we commenced Supreme Court proceedings against Molopo to find out information about the Orient Transaction and hold Molopo accountable for the depletion of shareholder funds. As part of those proceedings we engaged (at our own expense) an independent oil and gas expert (Ian Cockerill of RISC Advisory Pty Ltd) to take a closer look at the Orient project. RISC is a highly respected oil and gas consulting firm that has been involved in tens of billions of dollars of advisory transactions.

RISC's conclusions were that, based on publicly available information (including Molopo's own disclosures), the assets that formed the Orient Transaction, for which Molopo has now paid an eye watering US\$14 Million to Gil Feiler, had a value range of US\$0 - US\$395,000.

The Orient Transaction has now morphed into a monumental cash destroying calamity for Molopo shareholders.

➤ **BOARD INCOMPETENCE, DISREGARD FOR ASX OBLIGATIONS, CORPORATIONS ACT AND SHAREHOLDER RIGHTS**

Baljit Johal, who was appointed an Executive Director of Molopo on 24 October 2017 and subsequently as Chairman and Managing Director on 10 November 2017, resides in London.

Neither Mr Johal nor the other Molopo Directors, Matthew Cudmore and Richard Matthews, have any previous ASX-listed directorship experience.

As well as overseeing a monumental destruction of value for Molopo, the Directors of Molopo have demonstrated flagrant disregard for ASX and Corporations Act disclosure and reporting obligations.

For example, the current Board;

- Has **sunk nearly A\$47 Million** into a series of transactions **without getting shareholder approval**.
- Was **two months late in announcing the Drawbridge Transactions** and only then most likely because of requests from ASX for answers.
- **Failed to issue its Quarterly and Annual Reports on time**.
- Failed to correct a **project location map** relating to the **Orient Transaction** that has been **incorrect** since 22 August 2017.
- **Cannot get their ASX announcements correct** - ASX has required multiple corrections and clarifications, some of which we understand are still outstanding.
- Has frustrated Keybridge's legal rights as a shareholder to access information pertaining to the Orient Transaction through the Courts - Molopo is spending your money to attempt to stop Keybridge obtaining that information.

Keybridge has repeatedly contacted Baljit Johal since his appointment seeking to meet with him to understand his strategy for Molopo. Despite indications that he would do so, to date Baljit Johal has failed to arrange a meeting with Keybridge.

➤ **DISGRACEFUL PERSONAL ATTACK ON SHAREHOLDER NOMINEE DIRECTOR**

In Molopo's Notice of Meeting for the upcoming AGM, the Molopo Board made a disgraceful personal attack on Roger Corbett AO, a long-time shareholder of Molopo who has thrown his hat into the ring to join the Board of Molopo. As the former CEO of Woolworths, Director of the Reserve Bank of Australia, Director of Fairfax Media and an Officer of the Order of Australia (AO), Molopo shareholders should feel honoured that such a distinguished, professional and experienced businessman would consider helping sort out the mess that is Molopo.

Instead, the Molopo Directors attacked Mr Corbett's personal religious beliefs as a basis for opposing his appointment.

KEYBRIDGE'S POSITION IN MOLOPO

Keybridge is Molopo's second largest shareholder (with 46 million shares and a 18.5% interest) and has been a substantial shareholder of Molopo since October 2014. Keybridge previously had a nominee on the Molopo Board until late 2016, when its nominee resigned as a Keybridge Director and subsequently as a Molopo Director. Since then Molopo has refused to grant Keybridge representation on the Board as has been afforded to other large shareholders of Molopo.

We have made one nomination for appointment to the Board of Molopo at the AGM and the first act of our nominee, if appointed, will be to investigate the depletion of the Company's cash and potential recovery options.

We will be supporting the other candidates for the Board (Ralph Curton, Anthony Hartnell AM and Roger Corbett AO) and will be voting against all existing Board members (Baljit Johal, Matthew Cudmore and Richard Matthews).

Mr Curton has extensive experience in the US oil and gas sector and represents another major Molopo shareholder. Anthony Hartnell AM has been a director on a number of listed companies and has a long and respected record of government service including as inaugural Chairman of what is now known as ASIC. Roger Corbett AO has a distinguished corporate history. These candidates, together with our nominee William Johnson, are people who have the knowledge and experience to make sure that a company complies with its legal obligations and keeps shareholders and the market properly informed and most importantly to seek to recover Molopo's funds disbursed by this Board.

We have made a significant investment in legal action and investigation of the Orient Transaction because we believe it was fundamentally flawed in value and execution. This investigation is ongoing. So far, nothing that we find suggests that this is the "rolled gold" oil opportunity that the Molopo Board has presented to you and everything that we find suggests to the contrary.

KEYBRIDGE NOMINEE TO THE MOLOPO BOARD

WILLIAM JOHNSON

MA (Oxon), MBA, MAICD



Mr Johnson holds a Masters degree in engineering science from Oxford University, England and an MBA from Victoria University, New Zealand. His 30+ year business career spans multiple industries and countries, with Executive/CEO experience in oil and gas exploration (North Africa and Australia), mineral exploration and investment (Australia, Peru, Chile, Saudi Arabia, Oman and Indonesia), telecommunications infrastructure investment (New Zealand, India, Thailand and Malaysia) and information technology and Internet ventures (New Zealand, Philippines and Australia).

Between 2006 – 2009, Mr Johnson served as a Director of Drillsearch Energy Limited (ASX:DLS), an oil and gas development company with production and exploration assets in Australia and Canada and laid in place the significant value increase in the company leading to its subsequent acquisition by Beach Energy Limited (ASX:BPT).

Mr Johnson is a highly experienced public company director with considerable depth of experience in business strategy, investment analysis, finance and execution.

Mr Johnson is currently Managing Director of Strike Resources Limited (ASX:SRK), an Executive Director of Bentley Capital Limited (ASX:BEL) and a Non-Executive Director of Keybridge Capital Limited (ASX:KBC) and Yowie Group Ltd (ASX:YOW).

COMPLETE YOUR PROXY FORM - KEYBRIDGE'S RECOMMENDATIONS

Resolutions	FOR	AGAINST
(1) Adoption of Remuneration Report		<input checked="" type="checkbox"/>
(2) Election of BALJIT JOHAL as Director		<input checked="" type="checkbox"/>
(3) Election of MATTHEW CUDMORE as Director		<input checked="" type="checkbox"/>
(4) Election of RICHARD MATTHEWS as Director		<input checked="" type="checkbox"/>
(5) Election of RALPH CURTON as Director	<input checked="" type="checkbox"/>	
(6) Election of WILLIAM JOHNSON as Director	<input checked="" type="checkbox"/>	
(7) Election of ANTHONY HARTNELL AM as Director	<input checked="" type="checkbox"/>	
(8) Election of ROGER CORBETT AO as Director	<input checked="" type="checkbox"/>	
(9) To hold a Board Spill Meeting if there is a 'Second Strike' on the adoption of the Remuneration Report (ie. >25% votes against Resolution 1)	<input checked="" type="checkbox"/>	

VOTE AT THE MOLOPO AGM

We encourage all shareholders to vote at the upcoming Molopo AGM on Thursday, 31 May 2018 by completing and returning a Proxy Form to Molopo's Share Registry.

We enclose a partially-completed [BLUE Proxy Form](#) appointing William Johnson, in his absence, Keybridge's lawyer, David Sanders, as your Proxy to vote in line with Keybridge's recommendations as set out above.

Please follow the instructions on the Proxy Form and lodge your proxy/vote with Computershare [by the deadline of 10:00 am \(AEST\) on Tuesday, 29 May 2018](#). If you have any enquiries on how to vote or regarding the Proxy Form, please contact Keybridge (via email or telephone, as set out below).

So that we can ensure that your vote is counted, please also email a copy of your Proxy Form to us at cosec@keybridge.com.au. If you wish to discuss this Letter with Keybridge, please also telephone (08) 9214 9767.

For Australian based shareholders, we enclose a Reply Paid envelope for your convenience.

If you have already voted/lodged a Proxy Form, you can change your vote by lodging a new Proxy Form.