

MEDIA RELEASE

Thursday, 24 May 2018

ASX Codes : KBC; KBCPA

QUESTIONS ON NOTICE TO AUDITOR OF MOLOPO ENERGY LIMITED FOR UPCOMING ANNUAL GENERAL MEETING

Keybridge Capital Limited (**Keybridge**) is the second largest shareholder in Molopo Energy Limited (ASX:MPO) (**Molopo**), holding 18.5% of the issued capital of Molopo.

Molopo has convened an [annual general meeting](#)¹ (**AGM**) on Thursday, 31 May 2018.

On 8 May 2018, Molopo released its [2017 Annual Report](#)² (over a month late per the ASX Listing Rules and Corporations Act) and an [ASX Announcement](#)³ which disclosed for the first time a series of major transactions carried out between January and March 2018 involving a further US\$23.5 million cash injection into 'Orient' and a US\$35 million vend of the 'Orient Project' in exchange for a 30% non-voting interest in 'Drawbridge'.

A detailed background to the Orient and Drawbridge Transactions is summarised in Keybridge's Media Release dated [23 May 2018](#)⁴.

Keybridge has reviewed Molopo's 2017 Annual Report and has concerns about the nature and extent of a number of disclosures contained therein.

Accordingly, Keybridge has posed a series of questions on notice to Molopo's Auditor, James Mooney of BDO East Coast Partnership, to be addressed at the upcoming AGM.

A copy of Keybridge's Questions on Notice to Molopo's Auditor is attached.

FOR FURTHER INFORMATION:

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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.

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- 1 Refer MPO [Notice of AGM and Explanatory Statement dated and released on ASX on 30 April 2018](#)
 - 2 Refer MPO [Annual Report for the year ended 31 December 2017 released on ASX on 8 May 2018](#)
 - 3 Refer MPO ASX announcement dated [8 May 2018: Molopo De-Risks By Diversifying its Oil and Gas Exploration Portfolio](#)
 - 4 Refer Keybridge Media Release dated [23 May 2018: Further Letter to Molopo Shareholders for AGM – Orient and Drawbridge Transactions and Breaches of ASX Listing Rules](#)

QUESTIONS ON NOTICE TO AUDITOR AT MOLOPO ENERGY LIMITED AGM

MPO 2017 Annual Report page reference	Questions on Notice to Auditor of MPO
19 - 20	<p>Remuneration Report (audited)</p> <ol style="list-style-type: none"> 1. Do the terms of engagement of Executives – Baljit Johal (Chairman and Managing Director) and Richard Matthews (Executive Director and Company Secretary) – include a commitment to provide a minimum number of hours or days per a relevant period (eg. per week or per month) and if so: <ol style="list-style-type: none"> 1.1. What are those minimum commitments in respect of each of Messrs Johal and Matthews; 1.2. Are there any provision for additional payments for services performed in excess of these minimum commitments and if so, what are those additional payment terms, in respect of each of Messrs Johal and Matthews; 2. What were the terms of engagement of the other Executive, Alexandre Gabovich (former Chairman and Managing Director – appointed 27 February 2017 and removed at EGM on 10 November 2017); 3. In the Remuneration Tables (in respect of 2017 and 2016), within “salary & fees”, are there any components attributable to payments for special exertions or other payments outside of the ‘base’ level of salary/fees set, in respect of each member of Key Management Personnel (KMP); 4. What was the nature and components of the \$143,616 “Termination benefits” paid to Samantha Tough (former Chair who resigned on 31 March 2017); 5. What was the nature and components of the \$60,225 “Termination benefits” paid to Alexandre Gabovich; 6. What was the nature and components of the \$4,051 “Other benefits” paid to Ronnen Rosengart; 7. Why were Australian superannuation benefits paid to non-Australian resident Directors, Messrs Johal and Gabovich; 8. Why is the following information omitted from the Remuneration Report that is required under section 300A of the Corporations Act: <ol style="list-style-type: none"> 8.1. discussion of board policy for determining, or in relation to, the nature and amount (or value, as appropriate) of remuneration of KMPs; 8.2. discussion of the relationship between such policy and the company's performance (which must specifically deal with the company's earnings and the consequences of the company's performance on shareholder wealth (having regard to, inter alia, changes in the price at which shares in the company are traded during the financial year), in the financial year to which the report relates and in the previous 4 financial years); 9. Does the Company have a Directors’ and Officers’ Insurance Policy and if so, what is the total amount of cover provided under the same;

MPO 2017 Annual Report page reference	Questions on Notice to Auditor of MPO
30	<p>Statement of Profit or Loss</p> <p>10. What are the major components of “Administration expenses” of \$1.241m;</p> <p>11. What are the components of “Legal, management and consulting fees” of \$3.199m (ie. what are the total legal fees, management fees and consulting fees individually);</p> <p>12. What are the major components of each of the total legal fees, management fees and consulting fees;</p> <p>13. Of each component of legal fees, management fees and consulting fees, what are the total amounts attributable to each of the following matters:</p> <p>13.1. Canadian litigation matters;</p> <p>13.2. The ‘Orient’ transactions first announced on 22 August 2017;</p> <p>13.3. The ‘Drawbridge’ related transactions first announced on 8 May 2018;</p> <p>13.4. Investment opportunities (other than the Orient and Drawbridge transactions);</p> <p>13.5. Interactions with the ASX on disclosure, compliance and other listing rule matters;</p> <p>14. Are there any “Legal, management and consulting fees” attributable to KMPs or Related Parties (as defined in the Accounting Standards and or Corporations Act) and if so, to whom and in what amounts;</p> <p>15. How do you reconcile the \$373k “Salary and employee benefit expenses” with the \$1,015,652 total remuneration reported in the Remuneration Table (in respect of 2017);</p>
33	<p>Statement of Cash Flows</p> <p>16. Is the \$8.785m “Investments accounted for using the equity method” the amount of US\$7m paid for the acquisition of 50% of Orient FRC Ltd (Orient) on or about 25 July 2017 as announced on 22 August 2017;</p> <p>17. Is the \$6.043m “Loan to Related Party” the amount of US\$4.5m loaned to Orient on or about on 11 December 2017 as announced on 11 December 2017;</p>
44	<p>Note 8. Investment in Joint Venture</p> <p>18. What is the composition of Orient’s “Current assets” of \$2.507m;</p> <p>19. What is the composition of Orient’s “Non-current assets” of \$6.076m;</p> <p>20. Of Orient’s current and non-current assets, what are the components attributable to:</p> <p>20.1. Cash;</p> <p>20.2. Capitalised exploration and evaluation expenditure;</p> <p>20.3. Investments in other entities;</p> <p>20.4. Intangible assets;</p> <p>21. Is the “Loan from Molopo Energy Limited” (as an Orient non-current liability) the amount of US\$4.5m loaned to Orient on or about on 11 December 2017 as announced on 11 December 2017;</p> <p>22. Are there any provisions for impairment in respect of Orient’s current and non-current assets and if so, what is the nature and amount of each such provision;</p> <p>23. If no provision for impairment was made, what was the basis for supporting the carrying value of Orient’s current and non-current assets;</p>

MPO 2017 Annual Report page reference	Questions on Notice to Auditor of MPO
	<p>24. No provision for impairment was made in respect of the \$8.695m carrying value of Molopo's investment in Orient and the \$6.043m carrying value of Molopo's loan to Orient:</p> <p>24.1. was any 'impairment testing' undertaken on the carrying value of these assets;</p> <p>24.2. what was the supporting bases for the carrying value of these assets;</p>
45	<p>Note 10. Trade and Other Payables</p> <p>25. What are the major components of "Trade creditors" of \$0.743m;</p> <p>26. What are the major components of "Other creditors and accruals" of \$0.523m;</p>
51	<p>Note 18. Contingent Liabilities</p> <p><i>[Under Accounting Standard AASB 137 (Provisions, Contingent Liabilities and Contingent Assets), disclosure of a contingent liability is required in respect of an estimate of its financial effect or an indication of the uncertainties relating to the amount or timing of any outflow.]</i></p> <p>27. Did the Auditors consider the potential impact of Victorian Supreme Court Proceedings - Keybridge Capital Limited v. Molopo Energy Limited & Ronnen Rosengart, Supreme Court of Victoria Proceedings SCI 2017 04750 and SCI 2017 04752;</p>
54	<p>Note 22. Related Party Information</p> <p>Loans with key management personnel (and their related parties)</p> <p>(c) Wholly owned group transactions</p> <p>28. Orient FRC Ltd is referred to as a subsidiary company, a A\$6,245,827 inter-company loan account balance with Orient FRC Ltd was stated as having been eliminated in the consolidated entity and all loans were stated as having been provided on an interest free basis with no fixed repayment date:</p> <p>28.1. Are the above statements correct vis a vis Molopo's loan to Orient FRC Ltd;</p> <p>28.2. If not, what is the actual accounting treatment of the Molopo loan to Orient FRC Ltd;</p>
58 - 59	<p>Note 25. Subsequent Events</p> <p>Orient Project and other Drawbridge Projects</p> <p><i>[Under Accounting Standard AASB 110 (Events after the Reporting Period), an entity shall disclose the nature of material events and an estimate of its financial impact (eg. a major business combination, major purchases of assets, entering into significant commitments or contingent liabilities) (per paras. 21 and 22)]</i></p> <p>29. Why are there no disclosures of the loans provided by Molopo to Orient FRC Ltd between 1 January 2018 and 30 January 2018 (when Orient became a wholly owned subsidiary and such loans would be eliminated on consolidation);</p> <p>30. Why are there no disclosures of the accounting/financial impact of Orient becoming a wholly owned subsidiary of Molopo upon Orient completing a buy-back of ESGM Investments Limited's 50% shareholding in Orient for US\$7 million on or about 30 January 2018;</p> <p>30.1. What is the accounting/financial impact of the same including the impact on the Statement of Financial Position and to the Statement of Profit or Loss;</p>

MPO 2017 Annual Report page reference	Questions on Notice to Auditor of MPO
	<p>31. Why are there no disclosures of the accounting/financial impact of Molopo vending in Orient's wholly-owned subsidiary, Orient FRC (US) LLC, into Drawbridge Energy Holdings Ltd in consideration for 3,000 Class A shares in Drawbridge (which were entered into on 21 February and completed on 7 March 2018);</p> <p>31.1. What is the accounting/financial impact of the same including the impact on the Statement of Financial Position and to the Statement of Profit or Loss;</p> <p>32. Was any 'impairment testing' undertaken on the carrying value of the investment in Drawbridge Energy Holdings Ltd (post completion on 7 March and closer to the date of the annual accounts sign-off on 7 May 2018);</p> <p>33. If not, what was the supporting bases for not disclosing any change to the carrying value of the investment in Drawbridge Energy Holdings Ltd (post completion on 7 March 2018).</p>