



# **MOLOPO ENERGY LIMITED**

A.B.N. 79 003 152 154

## **ANNUAL REPORT**

**For the year ended 31 December 2016**



**MOLOPO**  
**ENERGY LIMITED**



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# Molopo Energy Limited

## Corporate Directory

### Directors

S. Tough (Independent Non-Executive Director)  
A. Gabovich (Managing Director)  
S. Belzberg (Non-Executive Director)  
R. Rosengart (Independent Non-Executive Director)  
W. Trumble (Independent Non-Executive Director)

### Company Secretary

A. Metcalfe

### Registered Office

C/- Accosec & Associates  
Level 2, 470 Collins Street  
Melbourne, Victoria, 3000 Australia  
Telephone: (61 3) 9867 7199  
Facsimile: (61 3) 9867 8587  
Postal Address: PO Box 255, Seddon,  
Victoria 3011

### Website

[www.molopoenergy.com](http://www.molopoenergy.com)

### Auditor

BDO East Coast Partnership  
Collins Square Tower 4  
Level 18, 727 Collins St  
Melbourne, Victoria 3008  
Australia

### Bankers

National Australia Bank Limited  
330 Collins Street,  
Melbourne, Victoria 3000  
Australia

National Bank of Canada  
301 6<sup>th</sup> Avenue SW  
Calgary, AB T2P 4M9

### Share Registry

Computershare Investor Services Pty Ltd  
Yarra Falls  
452 Johnston Street  
Abbotsford VIC 3067  
Australia  
Telephone: (61 3) 9415 4000

### Stock Exchange Listing

Australian Securities Exchange Limited  
Level 4, North Tower  
525 Collins Street,  
Melbourne, Victoria, 3000  
Australia

**(ASX code: MPO)**



# Molopo Energy Limited

## Directors' Report

Your Directors present their report (the "Report") on the consolidated entity ("the Group") consisting of Molopo Energy Limited ("Molopo" or "the Company") and the entities it controlled at the end of, or during, the year ended 31 December 2016.

### Directors

The names of the Directors in office at any time during the year and up to the date of this Report are:

<b>Name of Director</b>	<b>Position</b>
Samantha Tough	Independent Non-Executive Director
Alexandre Gabovich	Managing Director (appointed 27 February 2017)
Samuel Belzberg	Non-Executive Director
Ronnen Rosengart	Independent Non-Executive Director (appointed 28 April 2016)
Wayne Trumble	Independent Non-Executive Director (appointed 27 February 2017)
Antony Sormann	Non-Executive Director (resigned 30 November 2016)
Yaniv Stern	Independent Non-Executive Director (resigned 27 February 2017)

### Director Information

#### **Samantha Tough**

*Independent Non-Executive Director*

Ms. Tough is an independent Director with extensive experience as a Company Director and Chairman of public companies. Ms Tough has considerable experience in the oil and gas sectors including four years as General Manager of the North-West Shelf Project. Her executive experience also spans roles as Senior Vice President, Strategic Counsel Natural Resources for Commonwealth Bank of Australia (ASX:CBA), Project Director of the Pilbara Power Project and Director Strategy of Hardman Resources Limited. (ASX:HDR)

Ms. Tough is currently Chairman of Aerison Pty Ltd (mining and oil and gas services), Chairman Proactiv Pty Ltd, Director Synergy (WA's largest gas and electricity provider), Director Saracen Mineral Holdings Limited (ASX:SAR) and Deputy Chairman of the Western Australian Academy of Performing Arts.

Ms. Tough steps down as Chairman of Molopo Energy Ltd effective 31 March 2017



## **Molopo Energy Limited**

### **Directors' Report (continued)**

#### **Alexandre Gabovich M. DESS, BA, DEUG**

*Managing Director*

In February 2017, Mr Gabovich joined the Board and was appointed Managing Director on 8 March 2017. Mr. Gabovich has a long history in international business and the energy industry and a strong track record of leading operations in emerging markets as well as in international business development.

Mr Gabovich is a member of Noble Technologies, a leading Russian company focused on Oil and Gas downstream as well as a Managing Partner of S.I.S, an investment fund.

He served as the Chief Executive Officer of PNO Consultants, Chief Executive Officer of Yperion Technology and investment professional at Gustav Leven Family Office.

Mr Gabovich has a Master's Degree (DESS) in Systems Information and Communication from Paris I University - Sorbonne, a B.A in Languages, Literature and foreign cultures from Paris VIII University and an Academics General Studies Degree (DEUG) - Paris VIII University.

#### **Samuel Belzberg, BComm, OBC, OC, LLD**

*Non-Executive Director*

In July 2015, Mr. Belzberg joined the Board as the representative of Molopo's substantial shareholder, Gibralt Capital Corporation. Mr Belzberg has extensive international experience in real estate and finance over 5 decades. He serves on various Boards, including Second City Capital Partners, Second City Capital Partners Fund I. L. P. and NYSE listed City Office Reit, Inc.

In 1989 Mr Belzberg was awarded the Order of Canada and in 2002 he was promoted to Officer of the Order of Canada. Mr. Belzberg holds a bachelor degree in commerce from the University of Alberta.

#### **Ronnen Rosengart**

*Independent Non-Executive Director*

In April 2016, Mr. Rosengart joined the Board at the nomination of substantial shareholder Ion Limited. Mr Rosengart is a Senior Geophysicist with 23 years' experience in 2D and 3D processing and imaging of land and marine data in several major oil producing companies. He has a background in research and development of software solutions for time and depth applications and has been the Managing Director of Oil Hunters Pty Ltd, a geoscience consulting company, since January 2007.

#### **Wayne Trumble, Bus. Administration (Hons), GAICD**

*Independent Non-Executive Director*

In February 2017, Mr Trumble joined the Board as an independent director.

Mr Trumble has over 35 years' experience in the energy industry having led downstream development of power generation facilities in Canada, the United States, New Zealand and Australia. His expertise includes thermal generation in gas and coal technologies as well as renewable wind and solar projects.



## **Molopo Energy Limited**

### **Directors' Report (continued)**

#### **Director Information (continued)**

Past positions include Managing Director, TransAlta Energy (Australia) Limited and Executive General Manager, Griffin Energy Pty Ltd.

M. Trumble is currently Chairman of the Board of Clean Energy Investment Holdings Ltd (Public Unlisted), Non-executive Director of Energy Made Clean Pty Ltd, Non-executive Director (member of the Audit and Risk Committee) of African Energy Resources (ASX: AFR) and Owners Representative – Energy at Gold Road Resources (ASX: GOR).

Mr Trumble is a graduate of the Richard Ivey School of Business, University of Western Ontario and a member of the Australian Institute of Company Directors

Directors who resigned from the Board during or since the end of the financial year are:

#### **Antony Sormann**

*Non-Executive Director*

Mr. Sormann was an executive Director of Keybridge Capital Limited and joined the Molopo Board as its representative. Mr. Sormann has over 18 years' experience in investment banking including nine years as a Director of SLM Corporate and six years working in the investment banking division of NM Rothschild & Sons (Australia) Limited of which two years were as an executive in the Rothschild Group's New York office.

He holds bachelor degrees in law and economics from Monash University and a Graduate Diploma of Applied Finance and Investments from the Securities Institute of Australia.

#### **Yaniv Stern**

*Independent Non-Executive Director*

In August 2015, Mr. Stern joined the Board at the request of a substantial shareholder, Ion Limited. He is a Managing Partner at Red Dot Capital Partners (Israel) and is the executive chairman of Eccentex (USA), a software company. Mr. Stern has extensive international experience in strategic advisory predominantly working with private equity and institutional investors on investment strategy, deal evaluation and portfolio management.

He holds a bachelor degree in Computer Engineering from the Technion - Israel Institute of Technology, and an MBA from Harvard Business School.

#### **Company Secretary**

Mr. Andrew Metcalfe was appointed Company Secretary on 15 April 2013. He is a qualified accountant, experienced company secretary and governance advisor.

Mr. Metcalfe is a Fellow of the Governance Institute of Australia (formerly Chartered Secretaries Australia) and a Member of the Australian Institute of Company Directors. Mr. Metcalfe provides company secretarial services and advises on corporate governance matters for a number of ASX listed, public and private companies and not for profit organisations. Mr. Metcalfe manages the regulatory function of Molopo in Australia. He was Company Secretary and CFO for Molopo between 1997 and 2005.



# Molopo Energy Limited

## Directors' Report (continued)

### Dividends

The Directors do not propose to pay a dividend in respect of the current year (31 December 2015: \$ Nil).

### Principal Activities

The Group's principal activities during the year were to progress the litigation matters currently outstanding against the various entities within the Group, manage and protect the Company's capital base, and undertake an extensive review of oil and gas opportunities globally.

### Significant Changes in State of Affairs

### Financial Review

The net result attributable to the Group, after income tax expense, for the year ended 31 December 2016 was a loss of A\$6,000 (year ended 31 December 2015: Profit A\$457,000). The loss arose from various costs incurred in the progression of the litigation matters and foreign exchange movements on its Canadian and US dollar held currencies. As at 31 December 2016, the Group's net asset position was A\$58.76 million (31 December 2015: A\$58.84 million), and cash reserves were A\$67.50 million (31 December 2015: A\$67.26 million). Profit / (Loss), Earnings per share ("EPS"), dividends and the share price at 31 December and the previous reporting periods is summarised below:

	Year ended	
	31 December	
	2016	2015
Net (Loss)/Profit after Income Tax (A\$'000)	(6)	457
Basic (Loss)/Earnings per share (A\$)	(0.01)	0.18
Diluted (Loss)/Earnings per share (A\$)	(0.01)	0.18
Dividend per share (A\$)	0.00	0.00
Share price at 30 June*	0.15	0.15
Share price at 31 December*	0.15	0.14

\*Share price is in Australian dollars

No dividends were declared for the period.

### Business strategies and prospects for future financial years

The Group's business strategies and future developments are principally to address the litigation matters reported under Legal Disputes, and enlarge the scope of investment to intensively review upstream and downstream commercial projects utilising the Company's available cash reserves.

### Corporate

As at the date of this Report, the Group has one employee, being Mr Alexandre Gabovich who was appointed Managing Director on 8 March 2017. During the reporting period, the independent Chairman assumed executive functions from June 2016 until March 2017. Staffing requirements were, and continue to be, performed by contractors on an as required basis.



## Molopo Energy Limited

### Directors' Report (continued)

At the end of the period, the Group had cash in the bank of \$67.49 million, 86% was held in Australian dollars, 13% in Canadian dollars and 1% in US dollars. The Canadian dollars are retained as an offset to the provision for the litigation which sits in a Canadian subsidiary.

#### Legal Disputes

The Company continued to manage the progress of legal actions 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.

During the reporting period and up to the date of this report, the Molopo Board has centralised management of the litigation at Board level. The majority of legal work is undertaken by Bennett & Jones in Canada, overseen by lawyers and the Board in Australia.

The Board has been active in endeavouring to resolve the litigation, having met with the relevant parties' multiple times and offered settlement terms. However, none of these efforts have been successful, as the Plaintiff advises it has been aggrieved by the previous regime in Molopo and wants to be heard.

During the reporting period, the Board were successful in negotiating a consolidation of all claims into one claim. The resulting single claim action is not expected to be brought to court before the second half of 2018.

The consolidation of legal claims is 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\$35.9) million general damages, C\$1.0 (A\$1.0) million punitive and aggravated damages, interest, GST and indemnity costs.

The Group has made a C\$8.4 (A\$8.6) million provision in these financial statements in relation to this litigation (see Note 12 of the financial statements). Molopo Energy Limited, as parent company, is not a party to these proceedings.

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\$92.3 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 based on 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.

This litigation is also at an early stage and MECL and Molopo have not yet been required to file defences to the third-party claim.



## **Molopo Energy Limited**

### **Directors' Report (continued)**

#### **Legal Disputes (continued)**

The following claims that were previously reported have now been dismissed.

3. 310 ULC commenced legal action in 2013 against three former MECL employees, claiming they induced MECL to breach the joint venture agreements the subject of the proceedings referred to in point 1 above. 310 ULC has sought against each employee special damages, C\$65.0 (A\$66.6) million general damages, C\$2.0 (A\$2.1) million punitive damages, interest, GST and indemnity costs.

In June 2016, the Board negotiated and successfully sought this claim to be withdrawn by 310 ULC, at no cost to the Group, immediately prior to the consolidation of legal claims.

4. 310 ULC commenced legal action against Molopo in December 2014 claiming that Molopo is liable to 310 ULC for inducing a breach of contract and inducing breaches of other duties by MECL in relation to the joint venture agreements, the subject of the proceedings referred to in point 1 above. 310 ULC unsuccessfully sought an injunction against Molopo in December 2014 in these proceedings to restrict Molopo dealing with its assets.

During the reporting period, Molopo continued to hold the view that the proceedings were without merit, and in March 2017 Molopo was successful in having the proceedings summarily dismissed at no cost to the Group.

#### **Health, Safety and Environment**

The Company has no operational assets.

#### **Subsequent Events**

On 13<sup>th</sup> March 2017, Keybridge Capital Limited, a major shareholder in Molopo, submitted to the Company a requisition notice under S249D of the Corporations Act requesting the holding of a General Meeting of Shareholders to seek removal of the current Board and appointment of three new nominee Directors.

On 16<sup>th</sup> March 2017, the dismissal of an injunction action brought by 310 ULC against Molopo had been filed in, and accepted by, the Courts of Alberta, Canada.

On 24<sup>th</sup> March 2017, Molopo announced that the Company's Annual General Meeting which will include the matters raised under the requisition notice will be held in Melbourne Australia on 15<sup>th</sup> May 2017.

Other than those matters reported above, including the appointment of Alexandre Gabovich and Wayne Trumble and resignation of Yaniv Stern on 27 February 2017, no matter or circumstance has arisen since 31 December 2016 that has significantly affected or may significantly affect the consolidated entity's operations, the result of those operations or the consolidated entity's state of affairs in future financial periods.



## Molopo Energy Limited

### Directors' Report (continued)

#### Share Options

##### Unissued shares

As at 31 December 2016, there were no unissued ordinary shares under options (Nil as at 31 December 2015).

##### Shares issued on the exercise of options

During the period, employees and executives did not exercise any options to acquire shares in Molopo.

#### Performance Share Rights

The Board approves the offering of performance share rights and performance rights to employees and executives in accordance with the rules of the Company's Employee Incentive Scheme. This scheme was discontinued on 9 August 2015 after resignation of the last employee who was eligible to receive performance share rights and performance rights from the Company.

There were nil PSR's outstanding, granted, vested, expired or cancelled during the year ended 31 December 2016. The following table discloses the number, nature and status of the PSR's granted and outstanding during the year ended 31 December 2015:

		PSR's Outstanding at 1 January 2015	PSR's Granted	PSR's Vested	PSR's Expired or Cancelled	PSR's Outstanding at 31 December 2015
Sign-on Deferred short term incentive:		393,334	-	(334,918)	(58,416)	-
	2013	1,264,731	-	-	(1,264,731)	-
	2012	63,308	-	-	(63,308)	-
Total		1,721,373	-	(334,918)	(1,386,455)	-

There were nil PSRs granted to employees during the year ended 31 December 2016. The following table discloses the number, nature and status of the PSRs granted and outstanding during the year ended 31 December 2016:

		PSR's Outstanding at 1 January 2016	PSR's Granted	PSR's Vested	PSR's Expired or Cancelled	PSR's Outstanding at 31 December 2016
Long-Term Incentive:						
	2014	11,506	-	-	(11,506)	-
Total		11,506	-	-	(11,506)	-

The 2014 PSR's vested on 31 December 2016. The value of these were tested on 31 December 2016 and as the vesting performance conditions were considered not to have been met by or on 31 December 2016, the PSR's expired.



## Molopo Energy Limited

### Directors' Report (continued)

#### Performance share rights (continued)

The following table discloses the number, nature and status of PSR's granted and outstanding during the year ended 31 December 2015:

		PSR's Outstanding at 1 January 2015	PSR's Granted	PSR's Vested	PSR's Expired or Cancelled	PSR's Outstanding at 31 December 2015
Long-Term Incentive:						
	2014	15,957	-	-	(4,451)	11,506
	2013	16,877	-	-	(16,877)	-
Total		32,834	-	-	(21,328)	11,506

#### Indemnification of Officers and Auditor

During the financial year, the Group paid premiums to insure the Directors, Secretary of Molopo, and the officers of the Group. The policies prohibit the Company disclosing premiums.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against these officers in their capacity as officers of entities of the Group, and any other payments arising from liabilities incurred by these officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a deliberately fraudulent or wilful breach of duty by the officer or are otherwise prohibited by the Corporations Act 2001.

The Company has entered into Deeds of Access, Insurance and Indemnity for all Directors of Molopo as well as Deeds of Insurance and Indemnity for executives that act as Directors or officers of a Group Company.

#### 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. No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.



## Molopo Energy Limited

### Directors' Report (continued)

#### Directors' Meetings

The following table sets out the number of Directors' meetings held during the year ended 31 December 2016, and the number of meetings attended by each Director (while they were a Director). The Board Committees were disbanded and their responsibilities were assumed by the Board on 19 August 2014.

Board of Directors meetings:	Number of meetings attended	Number of meetings held
S. Tough	11	11
A. Sormann, resigned 30 November 2016	10	10
S. Belzberg	10	11
Y. Stern	10	11
R. Rosengart, appointed 27 April 2016	8	8

#### Auditor's Independence Declaration

The auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out immediately following this Report.

#### Non-Audit Services

The Directors are satisfied that the provision of non-audit services during the year, by the Auditor BDO East Coast Partnership (or by another person or firm on the Auditor's behalf) is compatible with the general standard of independence imposed by the Corporations Act 2001.

The Directors' reasons for being satisfied that the provision of those non-audit services did not compromise the auditor independence requirements of the Act are:

- all non-audit services were subject to the corporate governance procedures adopted by Molopo and have been reviewed by the Board to ensure they do not impact the integrity and objectivity of the Auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in the Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the Auditor's own work, acting in a management or decision making capacity for Molopo, acting as an advocate for Molopo or jointly sharing risks and rewards.

During the period, the following fees were paid or payable for non-audit services provided by the auditor:

		Year Ended 31 December 2016 A\$	Year Ended 31 December 2015 A\$
<b>Non-Audit Services:</b>			
Tax Compliance Services	- BDO Australia	13,176	11,950
	- BDO Canada	74,074	-
		<u>87,230</u>	<u>11,950</u>



## **Molopo Energy Limited**

### **Directors' Report (continued)**

#### **Rounding of amounts**

The Company is of the kind referred to in ASIC Corporations (Rounding in financial/directors' Report) Legislative Instrument 2016/91, dated 24 March 2016 and in accordance with that Legislative Order amounts in the Directors Report and the Financial Statements are rounded off to the nearest thousand dollars, unless otherwise indicated.



# Molopo Energy Limited

## Remuneration Report (audited)

### About this Report

This report is prepared in accordance with section 300A of the Australian Corporations Act 2001 and corporate governance guidance in Australia. Australian legislation requires disclosures in respect of Key Management Personnel (“KMP”) which is defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group. For the purposes of this report and for the year ended 31 December 2016, the Key Management Personnel comprise the Non-Executive Directors (the “NEDs”) of Molopo Energy.

Compensation for the NEDs is paid in Australian dollars (“A\$”).

Quoted prices and volume weighted average price of shares are expressed in A\$.

The Board discontinued the Short-Term Incentive Plan (“STIP”) and LTIP Long-Term Incentive Plan (“LTIP”) effective 9 August 2015.

### Key Remuneration Principles

Other than the Managing Directors’ remuneration that is reported below, and LTIP rights that expired on 31 December 2016, there are no other key remuneration principles.

### LTIP Targets January 2014 - December 2016

The assessment for the LTIP performance period ending December 2016 was based on Relative Total Shareholder Returns as compared to peers.

#### Relative Total Shareholder Returns

Company’s TSR relative to the TSR of the Comparator Group over the performance period	Performance Measure
<50 <sup>th</sup> percentile	0
50 <sup>th</sup> percentile	0.50
51 <sup>st</sup> - 74 <sup>th</sup> percentile	0.51 to 0.99 on a pro-rata basis
>= 75 <sup>th</sup> percentile	1.0 <sup>1</sup>

<sup>1</sup>Note that 1.0 represents outstanding performance (maximum vesting of this portion of LTIP).

### Relative TSR Comparator Group

The criteria for the selection of the peer group is at least 20 comparator companies listed on the ASX and/or the TSE which are in the same size range as Molopo and have as comparable assets and geographical focus to Molopo as possible. Where companies in the peer group cease to exist, or are no longer peers of Molopo, the Board retains discretion to change the peer group to reflect an appropriate comparison or to reduce the number of companies in the peer group.



# Molopo Energy Limited

## Remuneration Report (audited) (continued)

For the performance period ending 31 December 2016 and 31 December 2015, the peer group has been determined as:

1. Antares Energy (ASX:AZZ)	11. Austin Exploration (ASX:AKK)
2. Austex Oil Limited (ASX:AOK)	12. Elk Petroleum (ASX:ELK)
3. Granite Oil Corp (formerly Dee Three Exploration) (TSE:GXO)	13. Terra Energy Corp (TSE:TT)
4. Red Sky Energy (ASX:ROG)	14. Exall Energy Corp (TSE:EE)
5. Maverick Drilling (ASX:MAD)	15. Starr Peak Exploration, formerly Santonia Energy (CVE:STE)
6. Samson Oil & Gas (ASX:SSN)	16. Crocotta Energy Inc (TSE:CTA)
7. Rock Energy Inc (TSE:RE)	17. Entek Energy (ASX:ETE)
8. Sundance Energy (ASX:SEA)	18. Challenger Energy Inc (ASX:CEL)
9. Storm Resources (CVE:SRX)	19. Kelt Exploration (LNG) Ltd, formerly Artek (TSE:RTK)
10. Nimin Energy Corp (TSX:NNN.H)	20. Renegade Petroleum (TSX:RPL)

### Executive Remuneration

Executive remuneration packages contain the following key elements:

- Primary benefits – salary / fees, bonuses and non-monetary benefits;
- Post-employment benefits including superannuation;
- Equity including share options and performance share rights granted under employee incentive plans; and
- Other benefits.

Mr Alexandre Gabovich was appointed Managing Director of the Company on 8 March 2017.

Key terms of his appointment are as follows:

Salary: \$220,000 plus superannuation

Termination: 3-month notice

### Remuneration Table

The following table discloses the remuneration of the key management personnel of the Group during the year ended 31 December 2016:

2016	Short-term benefits			Post-employment benefits		Termination benefits	Share-based payments		Total	
	Salary & fees	Bonus	Other Benefits	Super - annuation	Other		Equity-settled			
							Shares & units	Performance Share Rights		
\$	\$	\$	\$	\$	\$	\$	\$			
<b>Non-Executive Directors</b>										
S. Tough	136,987	-	-	13,013	-	-	-	-	-	150,000
A. Sormann <sup>1</sup>	55,000	-	-	-	-	-	-	-	-	55,000
S. Belzberg	60,000	-	-	-	-	-	-	-	-	60,000
Y. Stern	60,000	-	-	-	-	-	-	-	-	60,000
R. Rosengart <sup>2</sup>	45,000	-	-	-	-	-	-	-	-	45,000
R. Chan <sup>3</sup>	15,292	-	-	-	-	-	-	-	-	15,292
<b>Officers</b>										
A. Metcalfe	153,600	-	-	-	-	-	-	-	-	153,600
<b>Total</b>	<b>525,879</b>	<b>-</b>	<b>-</b>	<b>13,013</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>538,892</b>

1. A. Sormann resigned on 30 November 2016

2. R. Rosengart was appointed on 28 April 2016

3. R. Chan is a director of Molopo's Canadian subsidiaries



# Molopo Energy Limited

## Remuneration Report (audited) (continued)

### Remuneration Table (continued)

The following table discloses the remuneration of the key management personnel of the Group during the year ended 31 December 2015:

2015	Short-term benefits			Post-employment benefits		Termination benefits	Share-based payments		Total
	Salary & fees	Bonus	Other Benefits	Super-annuation	Other		Equity-settled		
	\$	\$	\$	\$	\$	\$	Shares & units	Performance Share Rights	\$
<b>Non-Executive Directors</b>									
S Tough	73,648	-	-	6,997	-	-	-	-	80,645
A Sormann	56,000	-	-	-	-	-	-	-	56,000
D Sanders <sup>1</sup>	48,603	-	-	4,752	-	-	-	-	53,355
S.Belzberg <sup>2</sup>	25,000	-	-	-	-	-	-	-	25,000
Y Stern <sup>3</sup>	18,667	-	-	-	-	-	-	-	18,667
<b>Officers</b>									
P. Belliveau <sup>4</sup>	270,482	-	-	-	-	-	-	-	270,482
D. Engle <sup>5</sup>	25,238	-	-	-	-	-	-	-	25,238
A. Metcalfe	145,800	-	-	-	-	-	-	-	145,800
Total	663,438	-	-	11,749	-	-	-	-	675,187

1. D.Sanders resigned 27 August 2015

2. S.Belzberg was appointed on 31 July 2015

3. Y.Stern was appointed on 27 August 2015

4. P Belliveau resigned on 9 August 2015

5. D.Engle resigned on 23 February 2015

### Performance Share Rights, Performance Rights and Options granted to Key Management Personnel

As the LTIP was discontinued on 9 August 2015, there were no Performance Share Rights and Performance Rights issued to key management personnel of the Group during the year ended 31 December 2016 and the year ended 31 December 2015.

### Contracts of Employment

#### Non-Executive Director Remuneration Structure

Non-Executive Director Remuneration consists of base fees, other payments for additional services outside the scope of Board and Committee duties, and statutory superannuation contributions. Non-executive Directors do not earn retirement benefits other than superannuation for Australian Directors, are not entitled to any form of performance-related remuneration and do not participate in the employee incentive scheme.

The remuneration table for the year ended 31 December 2016 shows fees paid to non-executive Directors. In addition to these fees, Non-Executive Directors are entitled to reimbursement of reasonable travel, accommodation and other expenses incurred in attending meetings of the Board, committees and shareholders, or while engaged on Molopo business. Non-Executive Directors are not entitled to compensation on termination of their Directorships.

Molopo's Non-Executive Director fee cap is AUD \$650,000 as approved by shareholders at the 2010 AGM.



## Molopo Energy Limited

### Remuneration Report (audited) (continued)

#### Executive & Director Shareholdings

Directors, officers, employees and their related parties must not enter into transactions in products associated with shares or options in the Company that operate to limit the economic risk of holding the shares or options in the Company during a Prohibited Period, and must not enter into transactions in products associated with shares or options in the Company that operate to limit the economic risk of holding any unvested shares or options in the Company at any time.

Directors, officers, employees and their related parties must not trade in any securities of the Company (including shares, options, contracts for difference, warrants, or derivatives) for speculative reasons or short-term gain.

#### Directors' Shareholdings

Other than Mr Samuel Belzberg, no current Director has a relevant interest in shares, debentures, and rights or options in shares or debentures of Molopo or a related body corporate as at the date of this report.

#### Executive KMP's Personal Shareholdings

At the date of this report, no executive key management personnel held shares in the Company.

#### Key Management Personnel Shareholdings

The following table sets out the shareholdings of key management personnel of the Group during the:

(a) year ended 31 December 2016:

#### Fully paid ordinary shares of Molopo Energy Limited

##### Fully paid ordinary shares of Molopo Energy Limited

31 December 2016	Balance at 1 January 2016 No.	Granted No.	Issued on vesting of PSRs No.	Purchase No.	Sales No.	Other No.	Balance at 31 December 2016 No.
S. Tough	-	-	-	-	-	-	-
A. Sormann <sup>1</sup>	-	-	-	-	-	-	-
S. Belzberg <sup>2</sup>	22,501,734	-	-	-	-	-	22,501,734
Y. Stern	-	-	-	-	-	-	-
R. Rosengart <sup>3</sup>	-	-	-	-	-	-	-
<i>Officers</i>	-	-	-	-	-	-	-
A. Meltcalfe	69,193	-	-	-	-	-	69,193
<b>Total</b>	<b>22,570,927</b>	-	-	-	-	-	<b>22,570,927</b>

1. A.Sormann resigned on 30 November 2016

2. S.Belzberg shareholding is held in Gibralt Capital Corporation Limited, a company that he is both shareholder and director.

2. R.Rosengart was appointed on 28 April 2016



## Molopo Energy Limited

### Remuneration Report (audited) (continued)

#### Key Management Personnel Shareholdings (continued)

(b) year ended 31 December 2015:

31 December 2015	Balance at 1 January 2015	Granted	Issued on vesting of PSRs	Purchase	Sales	Other	Balance at 31 December 2015
No.	No.	No.	No.	No.	No.	No.	No.
S. Tough	-	-	-	-	-	-	-
A. Sormann	-	-	-	-	-	-	-
D. Sanders <sup>1</sup>	-	-	-	-	-	-	-
S. Belzberg <sup>2</sup>	-	-	-	-	-	22,501,734	22,501,734
Y Stern <sup>3</sup>	-	-	-	-	-	-	-
<i>Officers</i>							
D. Engle <sup>4</sup>	80,000	-	-	-	-	(80,000)	-
P. Belliveau <sup>5</sup>	183,041	-	334,918	-	-	(517,959)	-
A. Metcalfe	69,193	-	-	-	-	-	69,193
<b>Total</b>	<b>332,234</b>	<b>-</b>	<b>334,918</b>	<b>-</b>	<b>-</b>	<b>21,903,775</b>	<b>22,570,927</b>

1. D. Sanders resigned on 27 August 2015

2. S. Belzberg was appointed on 31 July 2015.

The holding is held in Gibraltar Capital Corporation Limited, a company that he both shareholder a director.

3. Y Stern was appointed on 27 August 2015

4. D. Engle resigned on 23 February 2015

5. P. Belliveau resigned on 5 August 2015

#### Key management personnel options holdings

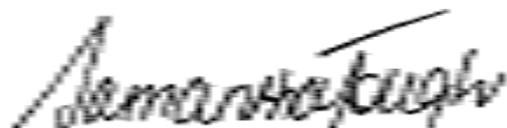
As of 31 December 2016, no Directors or officers hold any unlisted options of Molopo Energy Limited.

#### Use of Remuneration Consultants

The Board periodically uses external consultants to provide advice on matters relating to remuneration. However, no external consultants were utilised during the year ended 31 December 2016 or the year ended 31 December 2015.

The Remuneration Report for the year ending 31 December 2015 was passed by shareholders at the 2016 AGM with 76.44% of votes voting in favour of the resolution by way of a poll. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

Signed in accordance with a resolution of the Directors.



**Samantha Tough**  
Non-Executive Director  
31<sup>st</sup> March 2017  
Melbourne



**Alexandre Gabovich**  
Managing Director



**DECLARATION OF INDEPENDENCE BY JAMES MOONEY TO THE DIRECTORS OF MOLOPO ENERGY LIMITED**

As lead auditor of Molopo Energy Limited for the year ended 31 December 2016, 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.



James Mooney  
Partner

**BDO East Coast Partnership**

Melbourne, 31 March 2017

## 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 consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

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

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2016 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* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

## Key audit matters

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

### Calculation and classification of provision for legal claims

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>At 31 December 2016 the Groups' statement of financial position includes a provision for legal claims of \$8.6 million.</p> <p>There is a significant level of judgement, calculation and estimation applied to the calculation of the provision and further contingent liabilities arising.</p> <p>We focused on this area as a key audit matter due to the nature of the provision and its material impact on the financial report of Molopo Energy Limited.</p> <p>Disclosures relating to the legal claims are included in the Directors' Report, Note 12 and Note 19.</p>	<p>Our audit procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Recalculation of the provision prepared by the entity and evaluation of the supporting documentation to supporting the calculation</li> <li>• Consultation with the Groups' legal representatives and the review of written representations in relation to the legal claims</li> <li>• Assessment of the adequacy of the Groups' disclosures in respect to the legal claims provision made and the potential contingent liabilities.</li> </ul>

## Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 31 December 2016, but does not include the financial report and the auditor's report thereon.

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

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

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

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

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

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

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

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

[http://www.auasb.gov.au/auditors\\_files/ar2.pdf](http://www.auasb.gov.au/auditors_files/ar2.pdf)

This description forms part of our auditor's report.

## Report on the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 19 of the directors' report for the year ended 31 December 2016.

In our opinion, the Remuneration Report of Molopo Energy Limited, for the year ended 31 December 2016, complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

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

### BDO East Coast Partnership

The image shows a handwritten signature in black ink. The signature is written in a cursive style and appears to read 'James Mooney'. Above the signature, the letters 'BDO' are written in a stylized, blocky font.

James Mooney  
Partner

Melbourne, 31 March 2017

## Molopo Energy Limited

### Consolidated Statement of Financial Position As at 31 December 2016

	Note	31 December 2016 A\$000	31 December 2015 A\$000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	15(a)	67,486	67,263
Trade and other receivables	8	54	146
<b>TOTAL CURRENT ASSETS</b>		<b>67,540</b>	<b>67,409</b>
<b>TOTAL ASSETS</b>			
		<b>67,540</b>	<b>67,409</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	212	262
Provisions	12	-	48
<b>TOTAL CURRENT LIABILITIES</b>		<b>212</b>	<b>310</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions	12	8,583	8,258
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>8,583</b>	<b>8,258</b>
<b>TOTAL LIABILITIES</b>			
		<b>8,795</b>	<b>8,568</b>
<b>NET ASSETS</b>			
		<b>58,745</b>	<b>58,841</b>
<b>EQUITY</b>			
Share Capital	13	157,321	157,321
Reserves	14	(4,061)	(3,971)
Accumulated Losses		(94,515)	(94,509)
<b>TOTAL EQUITY</b>		<b>58,745</b>	<b>58,841</b>

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.



## Molopo Energy Limited

### Consolidated Statement of Profit or Loss and Other Comprehensive Income For the year ended 31 December 2016

	Note	Year ended 31 December 2016 A\$000	Year ended 31 December 2015 A\$000
<b>Continuing operations</b>			
Interest and other income	4	1,784	1,652
Administration expense		(431)	(851)
Salary and employee benefit expense	5	(385)	(694)
Legal, management and consulting fees		(944)	(417)
Operating lease expense		-	(57)
Finance costs		(44)	(7)
Share based payments	5	111	993
<b>PROFIT BEFORE INCOME TAX</b>		<b>91</b>	<b>619</b>
Income tax expense from continuing operations	7	(97)	(71)
<b>(LOSS)/PROFIT FROM CONTINUING OPERATIONS</b>		<b>(6)</b>	<b>548</b>
<b>Discontinued operations</b>			
Loss from discontinued operations net of income tax	6	-	(91)
<b>(LOSS)/PROFIT FOR THE PERIOD</b>		<b>(6)</b>	<b>457</b>
<b>OTHER COMPREHENSIVE INCOME NET OF TAX</b>			
Foreign currency translation	14	21	408
Total other comprehensive income		21	408
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>15</b>	<b>865</b>
<b>Total comprehensive income for the period attributable to:</b>			
Continuing operations		15	956
Discontinuing operations		-	(91)
		15	865

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.



## Molopo Energy Limited

### Consolidated Statement of Profit or Loss and Other Comprehensive Income For the year ended 31 December 2016 (continued)

	Note	Year ended 31 December 2016 A\$000	Year ended 31 December 2015 A\$000
<b>Loss per share attributable to the owners of Molopo Energy Limited:</b>			
Basic loss per share (cents per share)	22	<b>(0.002)</b>	0.18
Diluted loss per share (cents per share)	22	<b>(0.002)</b>	0.18
<b>Loss per share from continuing operations</b>			
Basic loss per share (cents per share)	22	<b>(0.002)</b>	0.22
Diluted loss per share (cents per share)	22	<b>(0.002)</b>	0.22
<b>Loss per share from discontinued operations</b>			
Basic loss per share (cents per share)	22	<b>0.00</b>	(0.04)
Diluted loss per share (cents per share)	22	<b>0.00</b>	(0.04)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.



## Molopo Energy Limited

### Consolidated Statement of Changes in Equity For the year ended 31 December 2016

	Ordinary Shares A\$000	Share Based Payment Reserve A\$000	Foreign Currency Translation Reserve A\$000	Investment Fluctuation Reserve A\$000	(Accumulated Losses) A\$000	Total Equity A\$000
<b>At 1 January 2016</b>	<b>157,321</b>	<b>111</b>	<b>(4,082)</b>	<b>-</b>	<b>(94,509)</b>	<b>58,841</b>
Loss for the year	-	-	-	-	(6)	(6)
Other comprehensive income	-	-	21	-	-	21
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>21</b>	<b>-</b>	<b>(6)</b>	<b>15</b>
<b>Transactions with owners in their capacity as owners</b>						
Share based payments	-	5	-	-	-	5
Transfer from the Share Based Payment Reserve <sup>1</sup>	-	(116)	-	-	-	(116)
<b>Balance as at 31 December 2016</b>	<b>157,321</b>	<b>-</b>	<b>(4,061)</b>	<b>-</b>	<b>(94,515)</b>	<b>58,745</b>
<b>At 1 January 2015</b>	<b>157,271</b>	<b>1,433</b>	<b>(14,030)</b>	<b>(29,353)</b>	<b>(56,073)</b>	<b>59,248</b>
Profit for the year	-	-	-	-	457	457
Other comprehensive income	-	-	408	-	-	408
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>408</b>	<b>-</b>	<b>457</b>	<b>865</b>
<b>Transactions with owners in their capacity as owners</b>						
Issue of shares	50	-	-	-	-	50
Share based payments	-	(50)	-	-	-	(50)
Share based payments - cash settled	-	(138)	-	-	-	(138)
Transfer from the Share Based Payment Reserve <sup>1</sup>	-	(1,134)	-	-	-	(1,134)
Closure of the Investment Fluctuation Reserve <sup>2</sup>	-	-	-	29,353	(29,353)	-
Transfer from the Foreign Currency Translation Reserve <sup>3</sup>	-	-	9,540	-	(9,540)	-
<b>Balance as at 31 December 2015</b>	<b>157,321</b>	<b>111</b>	<b>(4,082)</b>	<b>-</b>	<b>(94,509)</b>	<b>58,841</b>

1. Performance Share Rights issued by the company in prior reporting periods and which vested or were cancelled in the current reporting period have been reversed to the profit and loss account. The Share Based Payment Reserve has been reduced by \$116 thousand to \$nil to reflect that there are no remaining long term Performance Rights.

1. Performance Share Rights issued by the company in prior reporting periods and which vested or were cancelled in the current reporting period have been reversed to the profit and loss account. The Share Based Payment Reserve has been reduced by \$1.134 million to reflect the value of the remaining long term Performance Rights that vest on 31 December 2016.

2. Closure of the Investment Fluctuation Reserve as it relates to historical transactions in prior years. Transfer to Accumulated losses.

3. Transfer from the Foreign Currency Translation Reserve to Accumulated losses to reflect the current operations of the group.

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

**Consolidated Statement of Cash Flows  
For the year ended 31 December 2016**

	Year ended 31 December 2016 A\$000	Year ended 31 December 2015 A\$000
	<b>Note</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	-	534
Payments to suppliers and employees	(1,551)	(3,858)
Interest received	1,847	1,200
Income tax paid	(97)	(40)
<b>NET CASH FROM/(USED IN) OPERATING ACTIVITIES</b>	15(b) <b>199</b>	<b>(2,164)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of discontinued operations	6 -	1,256
<b>NET CASH FROM INVESTING ACTIVITIES</b>	-	<b>1,256</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment for share buyback	-	(69)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	-	<b>(69)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>199</b>	<b>(977)</b>
Opening cash and cash equivalents	67,263	67,385
Effect of exchange rate changes	24	855
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	15(a) <b>67,486</b>	<b>67,263</b>

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

## Notes to the Consolidated Financial Statements For the year ended 31 December 2016

### 1. CORPORATE INFORMATION

Molopo Energy Limited (“Molopo” or the “Company”) is a company incorporated and domiciled in Australia and listed on the Australian Securities Exchange (“ASX”). The consolidated financial report of the Company as at and for the year ended 31 December 2016 comprises the Company and its subsidiaries (together referred to as the “Group”).

#### Operations and Principal Activities

The Group’s principal activities during the year were to progress the litigation matters currently outstanding against the various entities within the Group, managing and protecting the Company’s capital base, and review oil and gas opportunities globally.

#### Registered Office and Principal Place of Business

Level 2, 470 Collins Street, Melbourne, Victoria 3000 Australia.

### 2. BASIS OF PREPARATION

#### (a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the *Corporations Act 2001*, applicable Australian Accounting Standards (including Australian Accounting Interpretations) and other pronouncements of the Australian Accounting Standards Board (“AASB”). The consolidated Financial Report of the Group complies with International Financial Reporting Standards (“IFRS”) and interpretations adopted by the International Accounting Standards Board (“IASB”). The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

The financial report was authorised for issue on the date of signing the Directors’ Declaration.

#### (b) Basis of measurement

The financial report has been prepared on a historical cost basis, except for available for sale non-financial assets and investments, which have been measured at fair value.

The financial report is presented in Australian (“A”) dollars and rounded to the nearest one thousand dollars.

#### (c) Changes in accounting policy and disclosures

No changes in accounting policies occurred during the period.

**Notes to the Consolidated Financial Statements (continued)  
For the year ended 31 December 2016**

**2. BASIS OF PREPARATION (continued)**

**(d) New and revised Standards and Interpretations**

The Group has adopted all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current year. The adoption has not had any significant impact on the amounts reported in this financial report but may affect the accounting for future transactions or arrangements.

**(e) Significant Judgments and Key Assumptions**

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following:

• **Share Based Payments**

The Group measures the cost of equity settled transactions with employees by reference to the fair value of equity instruments at the date at which they are granted. The fair value is determined using the twenty-day volume weighted average price at the time of grant for performance share rights.

• **Taxation**

Judgement is required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised in the Consolidated Statement of Financial Position. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits and repatriation of retained earnings depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, operating costs, restoration costs, capital expenditure, and other capital management transactions. Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the Statement of Financial Position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the Consolidated Statement of Profit or (Loss) and Other Comprehensive Income.

• **Provision and litigation**

Judgement is required in assessing the likely outcome of the litigation and the assessment of the amount of costs to provide for. The Group determines the provision based on commercial judgement taking into consideration legal opinion.

**Notes to the Consolidated Financial Statements (continued)  
For the year ended 31 December 2016****2. BASIS OF PREPARATION (continued)****(f) New Accounting Standards and Interpretations not yet mandatory or early adopted**

At the date of approving the financial report, the following Australian Accounting Standards and Interpretations relevant to the Group have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the year ended 31 December 2016.

<b>Standard/Interpretation</b>	<b>Effective for the annual reporting period beginning on</b>	<b>Expected to be initially applied in the financial year ending</b>
AASB 15 'Revenue from Contracts with Customers' and AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15'	1 January 2017	31 December 2018
AASB 9 'Amendments to Australian Accounting Standards - Financial Instruments'	1 January 2018	31 December 2018
AASB 16 'Amendments to Australian Accounting Standards - Leases'	1 January 2019	31 December 2019

The Directors' anticipate that the above standards and interpretations will not have a material impact on the financial report of the Group in the year of initial application based on current operations.

## Notes to the Consolidated Financial Statements (continued) For the year ended 31 December 2016

### 2. BASIS OF PREPARATION (continued)

#### (g) Corporations Act 2001 Amendments

During the year ended 31 December 2016 there have been no material amendments to the Corporations Act 2001 that the Group was required to adopt.

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### (a) Principles of Consolidation

The consolidated financial statements are those of the consolidated entity, comprising Molopo Energy Limited (the parent entity) and all subsidiaries that Molopo Energy Limited controlled for the year ended 31 December 2016.

Subsidiaries are all those entities over which the Company has control. Control is achieved when the company has power over the entity, is exposed to or has rights to variable returns from its involvement with the entity and the ability to use its power to affect those returns. The Company reassesses whether it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of control.

The accounts of the subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. All intercompany balances, transactions, and unrealised profits arising from intra-consolidated entity transactions, have been eliminated in full. Full details pertaining to all subsidiaries are provided in Note 18.

The acquisition of subsidiaries or a group of assets meeting the definition of a business are accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values.

#### (b) Segment Reporting

The Group determines and presents operating segments (refer to Note 21) based on the information that is internally provided to the Board of Directors and the Executive Management Team (the chief operating decision makers).

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with any of the Group's other components) whose operating results are regularly reviewed by the entity's chief operating decision makers to make decisions about resources to be allocated to the segment, assess its performance and for which discrete financial information is available.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements. Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category called "all other segments".

**Notes to the Consolidated Financial Statements (continued)  
For the year ended 31 December 2016**

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(c) Foreign Currency Translation**

*(i) Foreign currency transactions*

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The functional currency of the parent entity is Australian dollars. For the purpose of consolidated financial statements, the results and financial position of each entity in the group are expressed in Australian dollars, which is the presentation currency for the consolidated financial statements.

Transactions in foreign currencies on initial recognition in the functional currency are recorded by applying to the foreign currency amount the spot exchange rate at the date of the transaction.

At each statement of financial position date:

- Foreign currency monetary items are reported using the closing exchange rate;
- Non-monetary items which are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- Non-monetary items which are measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

Exchange rate differences arising on the settlement of monetary items or on translating monetary items at exchange rates different from those at which they were initially translated during the period, or in previous financial statements, are recognised in profit or loss in the period in which they arise, with the exception of exchange rate differences arising on a monetary item that forms part of the net investment in a foreign operation which are recognised initially in a separate component of equity and recognised in profit or loss on disposal of the net investment.

*(ii) Foreign operations*

The following procedures are used in translating the results and financial position of foreign operations from their respective functional currencies to the Group's presentation currency (Australian dollars):

- Assets and liabilities at the closing rate at the balance sheet date;
- Income and expense items at average monthly exchange rates; and
- Exchange rate variations resulting from the translation are recognised in the foreign currency translation reserve in equity.

**Notes to the Consolidated Financial Statements (continued)  
For the year ended 31 December 2016**

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(d) Cash and Cash Equivalents**

Cash and cash equivalents in the Consolidated Statement of Financial Position comprise cash and short-term deposits with an original maturity 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.

**(e) Trade and Other Receivables**

Trade receivables are recognised initially at fair value (original invoice amount), less allowance for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

**(f) Trade and Other Payables**

Liabilities for trade creditors and other payables are carried at cost, which is the fair value of the consideration to be paid in the future for the goods and services received, whether or not billed to the consolidated entity. Due to their short-term nature they are not discounted. The amounts are unsecured and usually paid within 30 days of recognition.

Payables to related parties are recognised and carried at the nominal amount. Interest is not taken up as income on any related party payables.

**(g) Employee Benefits**

*(i) Wages, salaries*

Liabilities for wages and salaries and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

*(ii) Long service leave*

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

*(iii) Defined contribution superannuation plan*

Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in the periods during which the services are rendered by employees.

*(iv) Share based payments*

The Group has previously provided benefits to employees (including the Executive Director) in the form of share based compensation, whereby employees render services in exchange for rights over shares.

## Notes to the Consolidated Financial Statements (continued) For the year ended 31 December 2016

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (g) Employee Benefits (continued)

The Board had previously approved the grant of options, performance share rights and performance rights as incentives to attract executives and to maintain their long-term commitment to the Company. These benefits were awarded at the discretion of the Board (equity-settled transactions).

The costs of these equity-settled transactions are measured by reference to the fair value of the equity instruments at the date on which they are granted. The fair value of performance share rights granted is determined using the twenty-day volume weighted average price ("VWAP") of the Company's shares immediately prior to grant date. The fair value of options granted is determined by using a Black-Scholes option pricing technique.

The fair value of performance rights granted is also determined using the VWAP of the Company's shares immediately prior to grant date. However, since a performance right can ultimately vest into nil to 100 shares, an additional consideration is the current best estimate of the number of shares that will ultimately vest in three years based on performance factors.

The costs of these equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the "Vesting Period"), ending on the date on which the relevant employees become fully entitled to the equity instrument ("Vesting Date").

At each subsequent reporting date until vesting, the cumulative charge to the income statement is the product of (i) the fair value at grant date of the award; (ii) the current best estimate of the number of equity instruments that will vest, considering such factors as the likelihood of employee turnover during the Vesting Period and the likelihood of non-market performance conditions being met and (iii) the expired portion of the Vesting Period.

The charge to the income statement for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding credit to equity.

Until an equity instrument has vested, any amounts recorded are contingent and will be adjusted if more or fewer equity instruments vest than were originally anticipated to do so. Any equity instrument subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied.

If the terms of an equity-settled award are modified, as a minimum, an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share based payment arrangement, or is otherwise beneficial to the recipient of the award, as measured at the date of modification.

If an equity-settled transaction is cancelled (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied), it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new equity instrument is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new equity instrument are treated as if they were a modification of the original award, as described in the preceding paragraph.

The dilutive effect, if any, of outstanding options and performance share rights and performance rights is reflected as additional share dilution in the computation of diluted earnings per share.

## Notes to the Consolidated Financial Statements (continued) For the year ended 31 December 2016

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (h) Issued capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

#### (i) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

##### (i) Interest

Interest revenue is recognised on an accrual basis using the effective interest rate method.

#### (j) Income Tax

Income tax expense is comprised of current and deferred tax. Current and deferred taxes are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences:

- The initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Differences relating to investments in subsidiaries and associates and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for deductible temporary differences and carry-forward unused tax losses and unused tax credits, to the extent that it is probable that taxable amounts will be available against which the deductible temporary differences, carry-forward unused tax losses and unused tax credits can be utilised.

**Notes to the Consolidated Financial Statements (continued)  
For the year ended 31 December 2016**

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(j) Income Tax (continued)**

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable amounts will be available to allow all or part of the deferred tax asset to be utilised. Deferred tax assets may be subsequently recognised or past reductions reversed to the extent that it becomes probable that there will be sufficient taxable amounts to utilise the deferred tax asset.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

**(k) Goods and Services Tax (“GST”)**

Revenues, expenses and assets are recognised net of the amount of GST except:

- i. where the GST incurred on a purchase of goods is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as an expense item as applicable; and
- ii. receivables and payables are stated with the amount of the GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Consolidated Statement of Financial Position.

Cash flows are included in the Consolidated Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

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

**(l) Earnings per share**

Basic earnings per share (“EPS”) is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares, which comprise share options, Performance Share Rights and Performance Rights granted to employees.

**(m) Rounding of amounts**

The Company is of the kind referred to in ASIC Corporations (Rounding in financial/directors’ Report) Legislative Instrument 2016/91, dated 24 March 2016 and in accordance with that Legislative Order amounts in the Directors Report and the Financial Statements are rounded off to the nearest thousand dollars, unless otherwise indicated.



## Molopo Energy Limited

### Notes to the Consolidated Financial Statements (continued) For the year ended 31 December 2016

#### 4. REVENUE AND OTHER INCOME

	Year ended 31 December 2016 A\$000	Year ended 31 December 2015 A\$000
<b>Other income</b>		
Interest	1,755	1,251
Unrealised foreign exchange gain	29	343
Realised foreign exchange gain	-	58
<b>Total other income</b>	<b>1,784</b>	<b>1,652</b>

#### 5. EXPENSES AND LOSSES

	Year ended 31 December 2016 A\$000	Year ended 31 December 2015 A\$000
<b>Expenses</b>		
Director and employee benefits expenses:		
Salaries and wages	375	690
Superannuation	10	4
Total expenses	<b>385</b>	694
Share based payments <sup>1</sup>	5	-
Cancellation of Share based payments <sup>1</sup>	<b>(116)</b>	(993)

1. Performance Share Rights issued by the Company in prior reporting periods and cancelled in the current reporting period have been written-back to the profit and loss account. The Share Based Payment Reserve has been reduced to nil to reflect the value of the remaining long term Performance Rights that vest on 31 December 2016.



# Molopo Energy Limited

## Notes to the Consolidated Financial Statements (continued) For the period ended 31 December 2016

### 6. DISCONTINUED OPERATIONS

During the prior-year the Group disposed of the Fiesta assets in Texas. In 2014, the Group recorded an impairment charge of \$3.115 million relating to its Wolfcamp shale oil play located in West Texas, USA. The impairment charge was determined based on the sale of the Fiesta assets, which was completed on 13 February 2015 for US\$1 million (A\$1.302 million).

	<b>Consolidated</b>	
	<b>Year ended 31 December 2016 A\$000</b>	<b>Year ended 31 December 2015 A\$000</b>
<b>Results of discontinued operations</b>		
Revenue		
-Proceeds from the sale of gas produced	-	200
-Proceeds from the sale of oil produced	-	82
	-	282
Expenses	-	(360)
<b>Loss from discontinued activities, net of tax</b>	-	(78)
Loss on sale of discontinued operations	-	(12)
Income tax on sale of discontinued operations	-	-
<b>Loss for the period from discontinued operations</b>	-	(91)
<b>Cash flows - discontinued operations</b>		
Net cash provided by/(used in) operating activities	-	(78)
Net cash provided by/(used in) investing activities	-	1,302
<b>Net increase in cash and cash equivalents from discontinued operations</b>	-	1,224
<b>Carrying amount of assets and liabilities disposed</b>		
Property, plant and equipment	-	1,611
Trade and other payables	-	(343)
Net assets and liabilities disposed of	-	1,268
<b>Details of the disposal</b>		
Consideration received	-	1,302
Net exchange difference	-	(46)
Net cash inflow	-	1,256
<b>Losses</b>		
Sales proceeds	-	1,302
Net carrying value	-	(1,268)
Net exchange difference	-	(46)
Net loss on sale of discontinued operations	-	(12)



# Molopo Energy Limited

## Notes to the Consolidated Financial Statements (continued) For the year ended 31 December 2016

### 7. INCOME TAX

	Year ended 31 December 2016 A\$000	Year ended 31 December 2015 A\$000
<b>(a) Income Tax Expense</b>		
Current income tax expense	(97)	(71)
Deferred tax expense	-	-
<b>Total Income Tax Expense</b>	<b>(97)</b>	<b>(71)</b>
<b>Attributable to:</b>		
Income tax expense from continuing operations	(97)	(71)
Income tax expense from discontinued operations	-	-
<b>Total Income Tax Expense</b>	<b>(97)</b>	<b>(71)</b>
<b>(b) Reconciliation between tax expense and pre-tax accounting loss</b>		
Profit/(Loss) from continuing operation	91	548
Loss from discontinued operation	-	(91)
Profit/(Loss) before income tax	<b>91</b>	<b>457</b>
Prima facie tax expense on profit at 30%	(27)	137
Tax effect of items which are not deductible/(taxable) for income tax purposes:		
Non-deductible expenses	(70)	(298)
Effect of change in unrecognised deferred taxes	-	232
<b>Income tax benefit/(expense)</b>	<b>(97)</b>	<b>(71)</b>

The Company has accumulated unused tax losses in the parent entity of A\$2.5 million (2015: A\$1.86 million) for which no deferred tax asset has been recognised. The Company has accumulated unused income tax losses of A\$22 million (2015: A\$22 million) in its Canadian entities and A\$109 million (2015: A\$109 million) in its United States subsidiary for which no deferred tax asset has been recognised.

### 8. TRADE AND OTHER RECEIVABLES

	31 December 2016 A\$000	31 December 2015 A\$000
Interest and other receivables	54	146
	<b>54</b>	<b>146</b>

The Group's exposure to credit and currency risk and impairment losses to trade and other receivables is disclosed in Note 25.



# Molopo Energy Limited

## Notes to the Consolidated Financial Statements (continued) For the year ended 31 December 2016

### 9. ASSETS HELD FOR SALE

During the prior year, the Company completed the sale of its Fiesta assets located in West Texas for US\$1.0 million (A\$1.3 million).

	<b>31 December 2016 A\$000</b>	31 December 2015 A\$000
<b>Assets held for sale</b>		
Oil and gas properties	-	-
Impairment expense	-	-
	<hr/>	<hr/>
Liabilities associated with assets held for sale	-	-
	<hr/>	<hr/>
Sale proceeds	-	1,302
Net carrying value	-	(1,268)
Net exchange difference	-	(46)
Loss on sale	<hr/>	<hr/>
	-	(12)

### 10. DEFERRED TAX ASSETS AND LIABILITIES

The Company has no deferred tax assets or liabilities.

#### Unrecognised deferred tax assets

In relation to foreign subsidiaries in Canada and USA, deferred tax assets arising from tax losses have not been recognised.

#### Franking account

	<b>31 December 2016 A\$000</b>	31 December 2015 A\$000
The balance of the Company's franking account is a franking credit balance of:	<b>14,706</b>	14,706

### 11. TRADE AND OTHER PAYABLES

	<b>31 December 2016 A\$000</b>	31 December 2015 A\$000
<b>CURRENT</b>		
Trade creditors	<b>206</b>	106
Other creditors and accruals	<b>6</b>	156
	<hr/>	<hr/>
	<b>212</b>	262



# Molopo Energy Limited

## Notes to the Consolidated Financial Statements (continued) For the year ended 31 December 2016

### 12. PROVISIONS

	<b>31 December 2016 A\$000</b>	31 December 2015 A\$000
<b>CURRENT</b>		
Employee entitlements	-	48
	-	48
<b>NON-CURRENT</b>		
Provision for legal claim	<b>8,583</b>	8,258
	<b>8,583</b>	8,258

#### Provision for Legal Claim

In March 2011, Molopo Energy Canada Ltd (“MECL”), a wholly owned subsidiary of Molopo was served with a statement of claim (“Claim”) by a former joint venture partner (3105682 Nova Scotia ULC (“310 ULC”)) 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\$35.9) million general damages, C\$1.0 (A\$1.0) million punitive and aggravated damages, interest, GST and indemnity costs.

Subsequent to the filing of the statement of defence, the Company undertook an extensive examination of the transactions that gave rise to the amounts in dispute. This examination resulted in the Company applying a provision in the accounts in 2012 of a net C\$5.0 (A\$5.1) million. In early 2013, the JV Partner settled a counterclaim by making a payment of C\$3.4 (A\$3.5) million to the Company, at which time the Company increased the provision to C\$8.4 (A\$8.6) million.

The matter is continuing in the ordinary course with the Court. No court date has yet been set and the standard preparatory litigation processes are being undertaken.

The movement in the past two years in the provision for legal claim arises solely from fluctuations in foreign exchange rates in the period. The Board is satisfied that the progress of the litigation process has not provided evidence to suggest the C\$8.4 (A\$8.6) million provision is inappropriate. The Board therefore considers the provision to be appropriate.



# Molopo Energy Limited

## Notes to the Consolidated Financial Statements (continued) For the year ended 31 December 2016

### 13. SHARE CAPITAL

	31 December 2016 A\$000	31 December 2015 A\$000
<b>(a) Issued and paid-up capital</b>		
Ordinary shares fully paid	157,321	157,321
	<u>157,321</u>	<u>157,321</u>
<b>(b) Movement in shares on issue</b>		
Balance at beginning of period	157,321	157,271
Issue of shares	-	50
	<u>157,321</u>	<u>157,321</u>
<b>(c) Share Capital Movement (Number of Shares)</b>		
On Issue at beginning of period	249,040,648	248,705,730
PSR's vested and issued	-	334,918
	<u>249,040,648</u>	<u>249,040,648</u>
Total number of shares at end of period	<u>249,040,648</u>	<u>249,040,648</u>

#### (d) Terms and conditions of contributed equity

*Ordinary shares* - There are 249,040,648 ordinary fully paid shares on issue at 31 December 2016 (31 December 2015: 249,040,648). The Company has unlimited authorised capital with no par value. Ordinary shares entitle the holder to the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

#### (e) Share Options and Performance Share Rights

In relation to share options and performance share rights over ordinary shares refer to Note 16 for full details of the unlisted Employee Incentive Options, Performance Share Rights ('PSR's) and Performance Rights ("PR") held at the end of the financial period. At 31 December 2016, no such interests remained on issue.



# Molopo Energy Limited

## Notes to the Consolidated Financial Statements (continued) For the year ended 31 December 2016

### 14. RESERVES

	Share Based Payments Reserve A\$000	Foreign Currency Translation Reserve A\$000	Investment Fluctuation Reserve A\$000	Total A\$000
<b>At 1 January 2016</b>	111	(4,082)	-	(3,971)
Other comprehensive income/(loss)	-	21	-	21
Share based payments	5	-	-	5
Correction to Share Based Payments Reserve <sup>1</sup>	(116)	-	-	(116)
<b>Balance at 31 December 2016</b>	-	(4,061)	-	(4,061)

1. Performance Share Rights issued by the company in prior reporting periods and which vested or were cancelled in the current reporting period have been reversed to the profit and loss account. The Share Based Payment Reserve has been written-back by \$116 thousand to \$nil to reflect that there are no remaining long term Performance Rights as at 31 December 2016.

<b>At 1 January 2015</b>	1,433	(14,030)	(29,353)	(41,950)
Other comprehensive income/(loss)	-	408	-	408
Share based payments	(50)	-	-	(50)
Share based payments – cash settled	(138)	-	-	(138)
Correction to Share Based Payments Reserve <sup>1</sup>	(1,134)	-	-	(1,134)
Closure of the Investment Fluctuation Reserve <sup>2</sup>	-	-	29,353	29,353
Transfer from the Foreign Currency Reserve <sup>3</sup>	-	9,540	-	9,540
<b>Balance at 31 December 2015</b>	111	(4,082)	-	(3,971)

2. Performance Share Rights issued by the company in prior reporting periods and which vested or were cancelled in the current reporting period have been reversed to the profit and loss account. The Share Based Payment Reserve has been written-back by \$1.134 million to reflect the value of the remaining long term Performance Rights that vest on 31 December 2016.
2. Closure of the Investment Fluctuation Reserve as it relates to historical transactions in prior years. Transfer to Accumulated losses.
3. Transfer from the Foreign Currency Translation Reserve to Accumulated losses to reflect the current operations of the group.

	Opening Balance A\$000	Change in Value A\$000	Ending Balance A\$000
<b>Investment Fluctuation Reserve</b>			
<b>For the year ended 31 December 2016</b>			
Other investments	-	-	-
	-	-	-
<b>For the year ended 31 December 2015</b>			
Other investments	(1,050)	1,050	-
	(1,050)	1,050	-

The investment fluctuation reserve comprises both market and currency movements and all present impairments or gains and losses on investments in equity instruments that are not held for trading.



# Molopo Energy Limited

## Notes to the Consolidated Financial Statements (continued) For the year ended 31 December 2016

### 14. RESERVES (continued)

#### Share Based Payment Reserve

The share based payment reserve comprises all vested but unexercised options and an amortised portion of the PSRs and PSRs granted.

#### Foreign Currency Translation Reserve

The foreign currency translation reserve comprises all foreign currency differences, net of any tax, arising from the translation of the financial statements of foreign operations. During the year ended 31 December 2016, variations between the Australian dollar and the US and Canadian dollars caused an increase in the foreign currency translation reserve.

### 15. CASH FLOW STATEMENT

	31 December 2016 A\$000	31 December 2015 A\$000
<b>(a) Reconciliation of cash</b>		
Cash balance comprises:		
-Cash at bank	10,128	21,531
-Short-term deposits	57,358	45,732
Closing cash balance	<u>67,486</u>	<u>67,263</u>
<b>(b) Reconciliation of the operating result after tax to the net cash flows from operations</b>		
(Loss)/Profit after tax	(6)	457
<i>Non-Cash Items</i>		
Profit on sale of plant and equipment	-	(12)
Unrealised foreign exchange gain	(29)	(401)
Loss on sale of discontinued operations	-	12
Share based payments	5	5
Share based payments	(116)	(993)
<i>Adjust for changes in assets and liabilities</i>		
(Increase)/decrease in trade and sundry debtors	92	138
(Increase)/decrease in prepayments	-	126
Increase/(decrease) in trade and sundry creditors	(50)	(102)
Increase/(decrease) in accruals	-	(627)
Increase/(decrease) in employment entitlements	-	48
Increase/(decrease) in legal claim provision	324	(566)
Effect of exchange rate changes	(21)	-
Net cash flows from/(used in) operating activities	<u>199</u>	<u>(2,164)</u>



# Molopo Energy Limited

## Notes to the Consolidated Financial Statements (continued) For the year ended 31 December 2016

### 16. SHARE BASED PAYMENTS

#### (a) Employee Performance Share Rights and Performance Rights Scheme

The Group previously had an ownership-based compensation scheme for employees. In accordance with the provisions of the scheme, the consolidated entity's employees were awarded Performance Share Rights ("PSRs") and Performance Rights ("PRs") in accordance with the rules of the Company's Employee Incentive Scheme. Each PSR entitled the holder to one ordinary share upon the satisfaction of specified performance criteria. Each PR entitled the holder to up to 100 ordinary shares upon the satisfaction of specified performance criteria. PSR and PR holders did not have any right, by virtue of the performance share right, to participate in any share issue of Molopo or any related body corporate.

#### Performance Share Rights

There were nil PSRs outstanding during the year ended 31 December 2016.

The following table discloses the number, nature and status of the PSRs granted and outstanding during the year ended 31 December 2015:

	PSR's Outstanding at 1 January 2015	PSR's Granted	PSR's Vested	PSR's Expired or Cancelled	PSR's Outstanding at 31 December 2015
Sign-on Deferred Short Term Incentive	393,334	-	(334,918)	(58,416)	-
2014	-	-	-	-	-
2013	1,264,731	-	-	(1,264,731)	-
2012	63,308	-	-	(63,308)	-
<b>Total</b>	<b>1,721,373</b>	<b>-</b>	<b>(334,918)</b>	<b>(1,386,455)</b>	<b>-</b>

#### Sign-on PSRs

The Board previously approved sign-on PSRs to certain new employees and executives. One third of the PSRs awarded vested every 12 months from each employee's or executive's sign-on date provided they remained an employee or otherwise deemed to be a 'good leaver'.

#### Deferred Short Term PSRs

During the year ended 31 December 2016 and 31 December 2015 the Board approved Nil PSRs.

The following PSR-based transactions occurred during the period ended 31 December 2015:

For the period ended 31 December 2015	Date Granted	Vesting Date	Opening Balance	Number Granted	Number Vested	Number Forefeited /Expired	Closing Balance (Number)	Fair Value at Grant Date A\$
<b>Key Management Personnel</b>								
P. Belliveau	05/03/2012	5/03/2015	60,000	-	-	(60,000)	-	0.72
	01/01/2013	31/12/2014	29,402	-	-	(29,402)	-	0.34
	01/01/2013	31/12/2015	29,402	-	-	(29,402)	-	0.34
	01/01/2014	31/12/2014	125,668	-	-	(125,668)	-	0.20
	01/01/2014	31/12/2015	125,667	-	-	(125,667)	-	0.20
	01/01/2014	31/12/2016	125,667	-	-	(125,667)	-	0.20
			495,806	-	-	(495,806)	-	
<b>Other personnel</b>			1,225,567	-	-	(1,225,567)	-	
<b>Total all personnel</b>			1,721,373	-	-	(1,721,373)	-	



# Molopo Energy Limited

## Notes to the Consolidated Financial Statements (continued) For the year ended 31 December 2016

### 16. SHARE BASED PAYMENTS (continued)

#### (a) Employee Performance Share Rights and Performance Rights Scheme (continued)

##### Performance Share Rights

Nil PSRs were granted during the year ended 31 December 2016 and 31 December 2015.

During the year ended 31 December 2014 the Board approved 47,641 PSRs for employees and executives in accordance with the 2014 long term portion of the Employee Incentive Scheme. These PSRs were to vest on 31 December 2016 provided the Company and the relevant employee or executive meets certain performance criteria in respect of each tranche, and remains an employee of the Company or is a 'good leaver'.

The following table discloses the number, nature and status of the PSRs granted and outstanding during the year ended 31 December 2016:

		PSR's Outstanding at 1 January 2016	PSR's Granted	PSR's Vested	PSR's Expired or Cancelled	PSR's Outstanding at 31 December 2016
Long Term Incentive						
	2014	11,506	-	-	(11,506)	-
Total		11,506	-	-	(11,506)	-

The following table discloses the number, nature and status of the PSRs granted and outstanding during the year ended 31 December 2015:

		PSR's Outstanding at 1 January 2015	PSR's Granted	PSR's Vested	PSR's Expired or Cancelled	PSR's Outstanding at 31 December 2015
Long Term Incentive						
	2014	15,957	-	-	(4,451)	11,506
	2013	16,877	-	-	(16,877)	-
Total		32,834	-	-	(21,328)	11,506

#### (b) Expenses arising from option and share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of Director and employee benefit expenses are detailed below:

	31 December 2016 A\$000	31 December 2015 A\$000
(c) Share based payments		
Total equity-settled options based payments recognised as an expense during the period	5	263



# Molopo Energy Limited

## Notes to the Consolidated Financial Statements (continued) For the year ended 31 December 2016

### 17. PARENT ENTITY

As at, and throughout, the year ended 31 December 2016, the parent company of the Group was Molopo Energy Limited. The results and financial position of the parent entity are detailed below:

	<b>31 December 2016 A\$000</b>	31 December 2015 A\$000
<b>Result of the parent entity</b>		
(Loss)/Profit for the period	(124)	1,674
Other comprehensive income	-	-
<b>Total comprehensive (loss)/income for the period</b>	<b>(124)</b>	<b>1,674</b>
<b>Financial position of the parent entity at year end</b>		
Current assets	<b>58,853</b>	59,070
<b>Total assets</b>	<b>58,853</b>	59,070
Current liabilities	<b>197</b>	134
Non-current liabilities	-	-
<b>Total liabilities</b>	<b>197</b>	134
<b>Total equity of the parent entity comprising of:</b>		
Share Capital	<b>157,321</b>	157,321
Share Based Payment Reserve	-	111
Investment Fluctuation Reserve	-	-
Accumulated loss	<b>(98,665)</b>	(98,496)
<b>Total equity</b>	<b>58,656</b>	58,936

### Parent entity contingencies and commitments

The parent entity has no contingent liabilities or commitments at 31 December 2016 (2015: Nil). The provision for legal claim sits within the subsidiary entity, Molopo Energy Canada Limited.



# Molopo Energy Limited

## Notes to the Consolidated Financial Statements (continued) For the year ended 31 December 2016

### 18. CONTROLLED ENTITIES

The following table lists the details of controlled entities as at 31 December 2016:

Name of controlled entity	Country of incorporation	Class of share	Percentage Holding	
			31 Dec 2016	31 Dec 2015
Molopo Energy Limited (parent entity)	Australia	Ordinary		
Molopo USA LLC	USA	Ordinary	100%	100%
Molopo Energy Texas LLC	USA	Ordinary	100%	100%
Molopo Energy Holdings Ltd	Canada	Ordinary	100%	100%
Molopo Energy Canada Ltd	Canada	Ordinary	100%	100%
Molopo Canada Callco Ltd	Canada	Ordinary	100%	100%

### 19. CONTINGENT LIABILITIES

There were a series of legal actions 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. With a near term resolution of the litigation looking unlikely, Molopo has instructed its legal team to do what is required to bring the matter to court as soon as possible.

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\$35.5) million general damages, C\$1.0 (A\$1.0) million punitive and aggravated damages, interest, GST and indemnity costs.

The Group has made a C\$8.4 (A\$8.6) million provision in these financial statements in relation to this litigation (see Note 14 of the financial statements). Molopo Energy Limited as parent company, is itself not a party to these proceedings. Whilst the litigation commenced in 2011, it is still at an early stage and 310 ULC has not progressed the litigation for nearly 2 years.

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\$90.2) 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.



# Molopo Energy Limited

## Notes to the Consolidated Financial Statements (continued) For the year ended 31 December 2016

### 20. EXPENDITURE COMMITMENTS

No expenditure commitments exist as at 31 December 2016 (2015: nil)

### 21. SEGMENT INFORMATION

#### Identification of reportable segments

Segment information is prepared in conformity with the consolidated entity's policies described in Note 3. There were no inter-segment sales.

	Australia	Canada	USA	Total
Year ended 31 December 2016	A\$000	A\$000	A\$000	A\$000
Interest revenues	1,673	82	-	1,755
Income tax benefit/(expense)	-	(97)	-	(97)
Reportable segment profit/(loss) after tax	163	(142)	(27)	(6)
Reportable segment assets	58,842	8,453	245	67,540
Reportable segment liabilities	197	8,598	-	8,795
<b>Year ended 31 December 2015</b>				
External revenues	-	-	282	282
Interest revenues	1,171	80	-	1,251
Depreciation and amortisation	-	-	-	-
Income tax benefit/(expense)	-	(79)	8	(71)
Reportable segment profit/(loss) after tax	417	(53)	393	457
Reportable segment assets	59,070	8,097	242	67,409
Reportable segment liabilities	134	8,408	26	8,568



# Molopo Energy Limited

## Notes to the Consolidated Financial Statements (continued) For the year ended 31 December 2016

### 22. EARNINGS PER SHARE

	<b>31 December 2016 A\$000</b>	31 December 2015 A\$000
<hr/>		
The following reflects the loss and share data used in the calculation of basic and diluted loss per share:		
Net (loss)/profit/	<b>(6)</b>	457
Net (loss)/profit from continuing operations	<b>(6)</b>	548
<hr/>		
Weighted average number of ordinary shares on issue in the calculation of basic loss per share	<b>249,040,648</b>	248,947,214
<b>Effect of dilution</b>		
Share options and Performance Share Rights dilutive	-	1,721,373
<hr/>		
Weighted average number of ordinary shares adjusted for the effect of dilution	<b>249,040,648</b>	250,668,587
Basic (loss)/profit per share (cents per share)	<b>(0.002)</b>	0.18
Basic (loss)/profit per share (cents per share)	<b>(0.002)</b>	0.18
<b>Earnings per share from continuing operations</b>		
Basic (loss)/profit per share (cents per share)	<b>(0.002)</b>	0.22
Basic (loss)/profit per share (cents per share)	<b>(0.002)</b>	0.22
<b>Earnings per share from discontinued operations</b>		
Basic (loss) per share (cents per share)	-	(0.04)
Basic (loss) per share (cents per share)	-	(0.04)

Apart from as mentioned above, there have been no other transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.



# Molopo Energy Limited

## Notes to the Consolidated Financial Statements (continued) For the year ended 31 December 2016

### 23. RELATED PARTY INFORMATION

#### (a) Key management personnel

##### Details of key management personnel

The key management personnel of the Group during the financial year were:

- S. Tough (Non-Executive Director and Independent Chairman);
- S. Belzberg (Non-Executive Director);
- R. Rosengart (Independent Non-Executive Director), appointed 21 April 2016);
- A. Sormann (Non-Executive Director), resigned 30 November 2016;
- Y Stern (Independent Non-Executive Director);
- R. Chan (Non-Executive Director of the Company's three Canadian subsidiaries); and
- A. Metcalfe (Company Secretary & CFO)

##### Key management personnel compensation

The aggregate compensation of the Group's key management personnel is set out below.

	<b>31 December 2016 A\$000</b>	31 December 2015 A\$000
Short-term employee benefits	526	663

##### Loans with key management personnel (and their related parties)

During the reporting period, there have been no loans by the Group to key management personnel.

#### (b) Equity interests in related parties

##### Equity interests in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in Note 18.



**Notes to the Consolidated Financial Statements (continued)  
For the year ended 31 December 2016**

**24. AUDITORS REMUNERATION**

	<b>31 December 2016 A\$000</b>	31 December 2015 A\$000
<b>Audit Services:</b>		
Audit services - BDO	<b>35,640</b>	28,930
	<b>35,640</b>	28,930
<b>Non-Audit Services:</b>		
Tax compliance services - BDO Australia	<b>13,176</b>	11,950
- BDO Canada	<b>74,074</b>	-
	<b>87,230</b>	11,950

**25. FINANCIAL RISK MANAGEMENT**

The Group's activities expose it to a variety of financial risks, market risk (including interest rate risk, commodity price risk, equity price risk and currency risk), credit risk and liquidity risk. This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and their management of capital.

**Risk management framework**

To manage and limit the effects of financial risks the Board of Directors has approved the Risk Management Policy. The Group'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 Group. The Group at present does not use derivative financial instruments. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rates and foreign exchange, and ageing analysis for credit risk. The policies approved at balance date are outlined below.

Financial risk management is carried out by the Company Secretary and Chief Financial Officer under policies approved by the Board of Directors. The Chief Financial Officer identifies, evaluates and manages the financial risks of the Company. The Board provides written policies which also cover specific areas, such as foreign exchange risk, interest rate risk and credit risk.

**(a) Market Risk**

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market prices, such as interest rates, commodity prices, equity prices and foreign exchange rates.

**(i) 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.

**(ii) Price risk**

**Commodity price risk**

The Group does not hold oil & gas assets and is therefore not subject to any commodity price risk.

# Molopo Energy Limited

## Notes to the Consolidated Financial Statements (continued) For the year ended 31 December 2016

### 25. FINANCIAL RISK MANAGEMENT (continued)

#### (iii) Currency risk

The Group undertakes transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. The Group has exposure to the Canadian Dollar and US Dollar. Measuring the exposure to foreign exchange risk is achieved by monitoring and performing sensitivity analysis on the Group's financial position.

#### Currency risk exposure

The carrying amounts of the Group's foreign currency denominated financial assets and liabilities in entities which do not have the corresponding functional currency at the reporting date are as follows:

	CAD(\$'000)	USD(\$'000)
<b>31 December 2016</b>		
Cash and cash equivalents	8,245	177
<b>31 December 2015</b>		
Cash and cash equivalents	8,468	318

#### Sensitivity Analysis

A 10 percent change of the Australian dollar against the USD and the CAD at 31 December 2016 would have increased / (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

	Impact on Post Tax Profit Higher/(Lower)		Other Comprehensive Income Higher/(Lower)	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
	A\$000	A\$000	A\$000	A\$000
AUD/CAD + 10%	845	835	845	835
AUD/CAD - 10%	(845)	(835)	(845)	(835)
AUD/USD + 10%	25	23	25	23
AUD/USD - 10%	(25)	(23)	(25)	(23)

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.



# Molopo Energy Limited

## Notes to the Consolidated Financial Statements (continued) For the year ended 31 December 2016

### 25. FINANCIAL RISK MANAGEMENT (continued)

#### (b) 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, available-for-sale financial assets, as well as credit exposure to customers, 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.

#### (c) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding to settle transactions on the due date. The Group does not have any borrowings and therefore does not have any exposure to meeting external borrowing commitments. Management monitors rolling cash forecasts to ensure it can meet operational and investment requirements.

#### (d) Net Fair Values

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level	Valuation method
Level 1	Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3	Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following methods and assumptions are used to determine the net fair values of financial assets and liabilities:

Financial asset or liability	Fair value method
Cash, cash equivalents and short-term deposits	The carrying amount approximates fair value because of their short-term to maturity (Level: n/a).
Receivables and Payables	The carrying amounts approximate fair value (Level: n/a).



# Molopo Energy Limited

## Notes to the Consolidated Financial Statements (continued) For the year ended 31 December 2016

### 25. FINANCIAL RISK MANAGEMENT (continued)

#### (e) Capital Management

The Group's objectives when managing capital are to maintain a strong capital base capable of withstanding significant cash flow variability, whilst providing the flexibility to pursue its growth aspirations. The Group aims to maintain an optimal capital structure to reduce the cost of capital and maximise shareholder returns. The capital structure of the Group currently consists of cash and cash equivalents and equity.

The Group will balance its overall capital structure through the issue of new shares, or the issue of new debt where considered appropriate.

The Group is not subject to any externally imposed capital requirements.

### 26. SUBSEQUENT EVENTS

On 13<sup>th</sup> March 2017, Keybridge Capital Limited, a major shareholder in Molopo, submitted to the Company a requisition notice under S249D of the Corporations Act requesting the holding of a General Meeting of Shareholders to seek removal of the current Board and appointment of three new nominee Directors.

On 16<sup>th</sup> March 2017, the dismissal of an injunction action brought by 310 ULC against Molopo had been filed in, and accepted by, the Courts of Alberta, Canada.

On 24<sup>th</sup> March 2017, Molopo announced that the Company's Annual General Meeting which will include the matters raised under the requisition notice will be held in Melbourne Australia on 15<sup>th</sup> May 2017.

Other than those matters reported above, including the appointment of Alexandre Gabovich and Wayne Trumble and resignation of Yaniv Stern on 27 February 2017, no matter or circumstance has arisen since 31 December 2016 that has significantly affected or may significantly affect the consolidated entity's operations, the result of those operations or the consolidated entity's state of affairs in future financial periods.



# Molopo Energy Limited

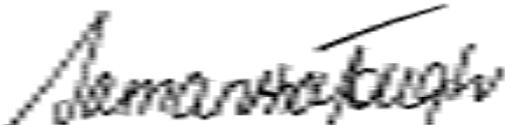
## Directors' Declaration

The Directors of Molopo Energy Limited declare that:

- a) In the Director's opinion, the financial statements and notes set out on pages 25 to 57 and the Remuneration report in the Director's Report set out on pages 15 to 19 are 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 2016 and of its performance, for the financial year ended on that date; and
  - ii) Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and *Corporations Regulations 2001*;
- b) The financial report also complies with International Financial Reporting Standards issued by the International Accounting Standards Board, as disclosed in Note 2; and
- c) There are reasonable grounds to believe that the company will be able to pay its debts and when they become due and payable.

The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* by the Corporate Secretary and Chief Financial Officer for the year ended 31 December 2016.

Signed in accordance with a resolution of the Directors.



**Samantha Tough**  
Non-Executive Director  
31<sup>st</sup> March 2017  
Melbourne



**Alexandre Gabovich**  
Managing Director



# Molopo Energy Limited

## ASX Additional Information

Additional information required by the Listing Rules of the Australian Stock Exchange Limited and which is not disclosed elsewhere in the Annual Report is as follows. The information is as at 28 March 2017.

### Shareholder Distribution

The number of investors holding less than a marketable parcel of 3,031 shares (at \$0.165 on 28/03/2017) is 1,562 and they hold 2,138,106 securities.

Category (number of securities)	Ordinary Shares (listed)		
	Number of Holders	Number of Shares	Percentage (%)
1- 1,000	672	354,709	0.14%
1,001 - 5,000	1,447	4,120,958	1.65%
5,001 – 10,000	671	5,202,904	2.09%
10,001-100,000	1,026	31,712,520	12.73%
100,000 – and over	127	207,649,557	83.39%
<b>Total</b>	<b>3,943</b>	<b>249,040,648</b>	<b>100%</b>

### Twenty Largest Shareholders as at 28 March 2017

Shareholder	Listed Ordinary Shares	
	Number	Percentage (%)
ION Limited	49,687,332	19.95%
Keybridge Capital Limited	48,235,468	19.37%
ABN Amro Clearing Sydney Nominees Pty Ltd	44,554,831	17.89%
Citicorp Nominees Pty Limited	23,240,041	9.33%
Rubi Holdings Pty Ltd	3,200,000	1.28%
Sporran Lean Pty Ltd	2,400,000	0.96%
Merrill Lynch (Australia) Nominees Pty Limited	2,169,907	0.87%
Mr Sean Dennehy	2,000,000	0.80%
R&R Corbett Pty Ltd	1,657,715	0.67%
Pakasoluto Pty Limited	1,286,658	0.52%
Gilbalt Capital Corporation	1,188,526	0.48%
BHL Pension Pty Ltd	1,000,000	0.40%
HSBC Custody Nominees	777,393	0.31%
Mr Steven Henry Greatorex	632,000	0.25%
Mr James Gardiner	600,000	0.24%
Mr Han Koen Lee & Mrs Lien Nio Lee	560,000	0.22%
VC Capital Investments Pty Ltd	521,000	0.21%
Boliber Pty Ltd	500,000	0.20%
G Chan Pension Pty Ltd	500,000	0.20%
<b>Total</b>	<b>184,710,871</b>	<b>74.17%</b>



## **Molopo Energy Limited**

### **ASX Additional Information**

#### **Substantial Holders**

ION Limited is a substantial holder in the Company, with a holding of 49,687,332 shares.

Keybridge Capital Limited is a substantial holder in the Company, with a holding of 48,235,468 shares.

Aurora Funds Management Limited is a substantial holder in the Company, with a holding of 44,554,831 shares held under ABN AMRO Clearing Sydney Nominees Pty Ltd.

Gibralt Capital Limited is a substantial holder in the Company, with a holding of 22,501,734 shares held under Citicorp Nominees Pty Limited and also held directly on the share register.

#### **Voting Rights**

On a show of hands every shareholder present in person or by proxy holding ordinary shares in the Company shall have one vote and upon a poll each share shall have one vote. There are no voting rights attached to the options, performance share rights or performance rights.

#### **Number of Restricted Securities**

As at 28 March 2017, there were no restricted securities.

#### **Incentive Options**

As at 28 March 2017, the Group had nil Incentive Options on issue under the Molopo Energy Limited Employee Incentive Scheme, which are not quoted on the Australian Securities Exchange.

#### **Performance Share Rights**

As at 28 March 2017, the Group had nil Performance Share Rights on issue under the Molopo Energy Limited Employee Incentive Scheme, which are not quoted on the Australian Securities Exchange.

#### **Performance Rights**

As at 28 March 2017, the Group had no Performance Rights on issue under the Molopo Energy Limited Employee Incentive Scheme, which are not quoted on the Australian Securities Exchange.





**Molopo Energy Limited**

[www.molopoenergy.com](http://www.molopoenergy.com)



