

ASX MARKET ANNOUNCEMENT

Monday, 11 September 2017

ASX Codes : KBC; KBCPA

COMMENCEMENT OF LEGAL ACTION AGAINST MOLOPO ENERGY LIMITED TO ACCESS INFORMATION

Keybridge Capital Limited (ASX:[KBC](#)) (**Keybridge**) has a significant investment¹ in Molopo Energy Limited (ASX:[MPO](#)) (**Molopo**) and is currently the second largest shareholder with 18.478%² of Molopo.

Keybridge advises that it has commenced legal proceedings in the Supreme Court of Western Australia against Molopo seeking orders authorising Keybridge to inspect company documents/books pursuant to [section 247A](#) of the Corporations Act.

Background

Keybridge has serious concerns regarding the affairs of Molopo and the conduct of the current Board of Directors of Molopo.

Keybridge notes that Molopo's shares have remained suspended from trading on the ASX since 25 July 2017 and it appears that the Molopo Board has not taken any action to cause that suspension to be lifted and has not outlined any timetable or action plan for the lifting of such suspension.³

Keybridge further notes that, after Molopo failing to undertake a single investment for over 3 years⁴, the current Board then undertook an extraordinary transaction in July 2017 whereby \$8.75 million was removed from the company in circumstances that Keybridge considers likely to be highly questionable.

This transaction (the **Orient Transaction**) involved Molopo expending US\$7 million (\$8.75 million⁵) cash to purchase 50% of the issued capital of a US company called Orient FRC Ltd (**Orient**) on 25 July 2017 from a person known as Gil Feiler, who is described as a banker and hedge fund manager and who after the transaction retains the remaining 50% of Orient. Orient has a 50% working (earn-in) interest in an exploration and development oil and gas lease prospect (covering ~15,000 net acres and expiring on 26 May 2019) in South Florida, USA.⁶

1 Refer Keybridge's ASX announcement dated [14 August 2017: Net Asset Backing – July 2017](#)

2 Refer Keybridge's ASX announcement dated [11 July 2017: Change of Substantial Holder Notice for MPO](#)

3 Refer Molopo's ASX Announcements dated [22 August 2017: Voluntary Suspension Extension](#); [2 August 2017: Holding Statement – Voluntary Suspension](#); [27 July 2017: Suspension from Official Quotation](#); [25 July 2017: Trading Halt](#)

4 Since Molopo disposed of its oil and gas exploration/development/production assets in the United States (Texas), Canada (Saskatchewan) and South Africa through the course of 2013 to early 2015 – refer Molopo's [2014 Annual Report](#) released on ASX on 16 March 2015

5 Based on the following exchange rate: AUD\$1.00 = US\$0.80

6 Refer Molopo's ASX announcement dated [22 August 2017: Molopo Acquires Interest in US Oil and Gas Project](#)

Keybridge Concerns on the Orient Transaction

The Orient Transaction is of great concern to Keybridge as it is unable to reconcile, from the public information available, the basis upon which the Board of Molopo would consider it to be in shareholders' interests for Molopo to spend \$8.75 million of Molopo's cash reserves in the circumstances that Molopo has announced to the market.

The legal proceedings commenced by Keybridge seek (inter alia) further information on the following matters:

- (1) The Orient Transaction creates an implied value of \$17.5 million for the whole of Orient. Keybridge seeks information as to how that valuation was arrived at. In particular, Keybridge seeks information on whether the Board of Molopo obtained a valuation of Orient to determine the ascribed value of \$17.5 million and if so the basis of such valuation.
- (2) Keybridge notes that no financial details have been provided as to the assets or liabilities of Orient to determine a true and proper value for Orient. Accordingly, Keybridge seeks details of the financial status of Orient.
- (3) Keybridge notes that no information has been provided showing that Orient itself has the financial or technical capacity to:
 - (a) undertake the expenditure commitments associated with its future drilling obligations; or
 - (b) if such future drilling is successful to finance the development of such wells into production.

Keybridge accordingly seeks information on the financial and technical capacity of Orient.

- (4) Keybridge also seeks to understand the deliberations of the Molopo Board in structuring the Orient Transaction such that Molopo acquired 50% of the issued capital of Orient and delivered \$8.75 million cash to Gil Feiler and whether other transaction structures which are more usual in the oil and gas sector were considered, such as:
 - (a) Molopo subscribing for shares in Orient (thereby causing Orient to be the beneficiary of the \$8.75 million cash) with the consequential effect that the subscription monies could be applied by Orient towards its drilling expenditure obligations; or
 - (b) Molopo farming-in to the oil and lease lease/project and earning a direct interest in the same.
- (5) Keybridge notes that one day before the Orient Transaction was executed on 25 July 2017, Molopo Director, Wayne Trumble, resigned from the Board.⁷ Keybridge seeks information on the reasons for such resignation in circumstances where Mr Trumble was only recently re-elected to the Molopo Board at its AGM held on 20 June 2017 and his resignation leaves Molopo in breach of [section 201A\(2\)](#) of the Corporations Act, which requires a public company to have at least 2 Directors who ordinarily reside in Australia.
- (6) Keybridge seeks information on the overall cost of the Orient Transaction including the quantum of fees paid in relation to the same.

⁷ Refer Molopo's ASX announcement dated [24 July 2017: Resignation of Director](#)

Legal Proceedings Commenced Because Molopo Refused to Provide Information

In order to obtain the information, Keybridge wrote to Molopo requesting that specific information on these matters be provided to Keybridge. Molopo denied that reasonable and legitimate request. Accordingly, Keybridge has no alternative but to exercise its legal rights as a shareholder and commence legal proceedings against Molopo under section 247A of the Corporations Act to inspect Molopo's books to obtain this information, which it hopes will address its concerns.

FOR FURTHER INFORMATION:

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

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