

Aurora Absolute Return Fund

Aurora Funds Management Limited (“Aurora”) provides an update regarding Aurora Fortitude Absolute Return Fund (“AFARF”), which impacts the Aurora Absolute Return Fund.

Further information

If you have any queries or concerns, please contact us.

Telephone: 1300 553 431

Email: enquiries@aurorafunds.com.au

Aurora Funds Management Limited | ABN 69 092 626 885 | AFSL No. 222110

10 August 2018

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Company Announcements
ASX Limited
Level 6, Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

MOLOPO ENERGY – WITHDRAWAL OF TAKEOVER BID

As foreshadowed in our market announcements of 18 July 2018 and 24 July 2018 on this subject, Aurora Funds Management Limited (**Aurora**), in its capacity as responsible entity for the Aurora Fortitude Absolute Return Fund (**AFARF**), makes this further announcement in respect of the off-market takeover bid by AFARF for shares in Molopo Energy Limited (**Molopo**).

The Announcements made by Molopo on 8 May 2018 disclosed a number of transactions which were in excess of the 'no material transaction or series of transactions of more than \$2 million' defeating condition of AFARF's bid, specifically:

- "On 30 January 2018, Orient redeemed all of the JV Partner's shares in Orient for a redemption amount of USD\$7 million (Orient Redemption), resulting in the shares of the JV Partner in Orient being cancelled and Orient becoming a wholly-owned subsidiary of Molopo";
- "Following completion of the Orient Redemption, Molopo has sole funded the remaining amounts required by the Orient Project, in accordance with its current budget for the project, in an aggregate amount of USD\$21 million (Orient Funding)";
- "On 21 February 2018, Orient entered into a contribution agreement (Contribution Agreement) with Drawbridge Energy Holdings Ltd (Drawbridge Holdings) pursuant to which it agreed to (i) transfer its 100% interest in Orient FRC (US) LLC (Orient US), a wholly owned subsidiary of Orient; and (ii) assign Orient's interest in the Orient Project to Orient US at completion, in consideration for a 30% interest in Drawbridge Holdings (Combination Transaction)"; and
- USD\$21 million was funded by way of intercompany loan from Orient to Orient US. Following completion of the Combination Transaction on or about 7 March 2018, the loan from Orient to Orient US was extinguished.

Each of these transactions alone and in combination with the others trigger that defeating condition and, in Aurora's opinion, has substantially and adversely affected the value of Molopo's assets. Further, the Takeovers Panel has reviewed the conduct of the former directors of Molopo and found their actions to constitute **unacceptable circumstances** in relation to Molopo's affairs.

In the recent Quarterly Activities Report released by Molopo on 1 August 2018, the new Molopo Board, who were elected at the Company's Annual General Meeting on 31 May 2018, made the following comments:

"Following a detailed review of the Orient/Drawbridge Transactions, the current Directors of Molopo cannot see any logical or commercial reason for entering into these transactions.

*The Transactions resulted in the Company's cash reserves being depleted from **A\$66.2 million** at 30 June 2017 to **A\$15 million** as at 30 June 2018.*

The Former Directors proceeded with these transactions without seeking shareholder approval, resulting in a breach of ASX Listing Rules, as well as breaching ASX continuous disclosure obligations and the Corporations Act."

Aurora notes that Molopo has sought a review of the Orders made by the Takeovers Panel on 18 July 2018. Notwithstanding this development, Aurora has determined that it will not declare AFARF's takeover bid free from its defeating conditions. The takeover bid will therefore expire on 20 August 2018, subject to triggered defeating conditions, so all contracts arising from acceptances of the takeover bid to date will automatically be rescinded and Aurora will deal with the acceptances and any accompanying documents so that all Molopo shareholders who have accepted the takeover bid will receive their shares back.

Aurora will provide a formal notice to Molopo and the ASX on Monday 13 August 2018, in relation to the status of defeating conditions, as required by the Corporations Act.

Yours faithfully

Aurora Funds Management Limited

A handwritten signature in dark ink, appearing to read 'Adrian Martin', written in a cursive style.

Adrian Martin
Company Secretary