



ASX ANNOUNCEMENT (ASX:MPO)

29 May 2015

CHAIRMAN'S ADDRESS TO SHAREHOLDERS

To Molopo Shareholders,

The current small and functional Board of 3, comprising Samantha Tough as Independent Chairman and David Sanders and Antony Sormann as Non-executive Directors, assumed responsibility of Molopo on 29 December 2014 following an exit of the entire previous Molopo Board and a period of general unrest in the Company.

David and Antony are directors representing major shareholders, Bentley and Keybridge respectively. Both bring considerable commercial and legal experience to the Board and in particular, given the noticeable lack of a Chief Executive, have been instrumental in centralising and understanding the main issue in the Company, namely the litigation in Canada.

It is acknowledged that Board composition is a matter to be addressed in the near future.

Mention should be made of our Company Secretary, Andrew Metcalfe who has stepped in to help fill the senior executive gap. Andrew has been instrumental in assisting the new Board deliver outcomes to shareholders. The Board acknowledges his patience, professionalism and corporate knowledge.

As at the AGM date, Molopo has cash in bank of AUD\$67.7million, the majority of which is now in Australian dollars. An amount of AUD\$9.1million remains in Canadian dollars and has been set aside against the provision for the litigation. This provision sits in the Canadian subsidiary.

The Company share price hovers around 15 cents, representing a discount to its cash backing. The unknown risk of the litigation no doubt contributes to this.

Other than general comments above, there are 3 areas of focus that, in my view, require commentary at this time. First, the Remuneration Report. Second, a summary of the Board's activities post 29 December 2014. Third, a brief outline of the objectives in the short to medium term.

The Remuneration Report has quite properly attracted attention from shareholders. I emphasise that it relates to remuneration practises in the Company to 31 December 2014 and a regime that was very much part of the previous management and Board. This current Board has taken immediate steps to remove those practises and operate under a fit purpose remuneration regime. The expensive Incentive Scheme has been terminated and contractors and executives have been given notice. The current remuneration for Directors is market based. That said, the Board has been both fulfilling both the executive and non-executive function in the business to date and this will need to be addressed going forward.

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The current Board has addressed the following in its first 5 months -

- 1) Concluded the sale of the last operational asset in Texas, USA, known as Fiesta for circa \$1M;
- 2) Centralised and secured the records of the Company into one place;
- 3) Negotiated appropriate outcomes on a number of outstanding matters that had financial ramifications - legal, staff bonus and incentive payments, consultant fees;
- 4) Simplified the executive structure. Removed the Acting CEO role and the last of the operational roles. The CFO role currently ably filled by Paul Belliveau in Canada will come to an end in its current form in August 2015 and is likely to be replaced by a contract function until the future of the Company has been agreed;
- 5) Terminated the Incentive Scheme - an expensive not fit-for-purpose LTIP and STIP scheme that is no longer appropriate. All existing obligations will be met and the Scheme will terminate in August 2015;
- 6) Reviewed ongoing leases and other property matters in the Company to reduce overheads;
- 7) Simplified Bank accounts and signatories to those accounts; improved the treasury function; transferred a majority of funds to AUD\$ in Australia;
- 8) Most importantly, the Board has centralised all knowledge of the various litigation matters and brought it under the management of the Board. The Board has a solid understanding of the litigation following a review and recent trip to Canada to meet the parties involved.

Over the short term, the following are the Board's key objectives -

- 1) Understand the litigation exposure so that the Board can make decisions with respect to the balance of assets in the Company.

What does this mean? The Board will come to an informed view with the appropriate advice on what provision is required to meet the needs of the litigation so that the balance of cash available for other business activities is known. I would expect this position to be reached within the next quarter.

- 2) Agree a future strategy for the Company and advise shareholders. Consultation with a range of shareholders is underway and shareholders could expect to know this direction within the next few months;
- 3) Identify the appropriate composition of the Board to fit the agreed strategy; and
- 4) Work to deliver a share price more reflective of the assets in the Company.

Finally, to all shareholders and particularly those who came into Molopo during an earlier phase of its life, it is acknowledged that Molopo has not delivered value to shareholders as expected when it had aspirations of being an oil and gas producer.

The Molopo of the past has failed shareholders in delivering a return on investment. Matters were not helped by major misalignment amongst shareholders that filtered into the Board arena.

Your current Board is focussed on ridding Molopo of expensive habits, delivering shareholder alignment and ultimately returning value to shareholders in a reasonable timeframe.

Thank you for your patience and support.

Samantha Tough
Chairman
MOLOPO ENERGY LIMITED

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