

## TAKEOVER ANNOUNCEMENT

12 September 2017

### Aurora Fortitude Absolute Return Fund (AFARF) announces revised takeover bid for Molopo Energy Limited (ASX:MPO)

#### Summary

- Aurora Funds Management Limited (**Aurora**) has withdrawn the takeover bid for Molopo Energy Limited (**Molopo**) that it proposed to make on behalf of AFARF because Molopo triggered a proposed defeating condition.
- Aurora as responsible entity of AFARF intends to make a new revised takeover bid for 100% of the ordinary shares in Molopo at \$0.135 each.
- The consideration under the revised bid has been reduced, to reflect the estimated value dilutive impact of Molopo's recent acquisition of shares in Orient FRC Ltd (**Orient**) for approximately \$8.75 million and recently reported operating loss.
- Under the new bid, Molopo shareholders will still be able to elect to receive the bid consideration in cash (capped at \$5 million in total) or the equivalent value in AFARF units.
- Accepting Molopo shareholders who elect to receive AFARF units will be able to request redemption of the units at the prevailing net asset value based redemption price in accordance with AFARF's constitution and fund updates, subject to certain constraints — see 'AFARF liquidity' below.
- Since 27 July 2017, Molopo has been suspended from trading on the ASX. No indication has been provided by Molopo directors as to when it is likely to resume trading on the ASX. Accordingly, AFARF's bid will provide an opportunity for Molopo shareholders to achieve some liquidity in their shares in circumstances where Molopo's outlook and continued listing is uncertain, with potentially no readily available market for Molopo shares.

#### Current bid withdrawn because defeating condition triggered

On 27 July 2017, Aurora Funds Management Limited (**Aurora**) as responsible entity of the Aurora Fortitude Absolute Return Fund ARSN 145 894 800 (**AFARF**) announced its intention to make an off-market takeover bid under chapter 6 of the Corporations Act 2001 (Cth) for all the issued fully paid ordinary shares in Molopo at a bid price of \$0.18 each.

The bid was subject to defeating conditions, including a 'no material transactions' condition that, between 27 July 2017 and the close of the offer under the bid, Molopo not announce or make any investment of more than \$2 million (except for an investment reasonably full details of which had been announced by Molopo before Aurora announced its bid).

On 22 August 2017, Molopo announced that it had acquired a 50% interest in Orient from Dr Gil Feiler for approximately \$8.75 million (**Transaction**). According to the announcement, Orient had acquired the right to participate in an oil and gas exploration project whereby Orient would incur 100% of drilling and completion costs in exchange for a 50% working interest in leases in the State of Florida, United States of America held by Kerogen Florida Energy Company LP.

As the Transaction triggered the 'no material transactions' defeating condition, Aurora promptly sought to obtain further information so it could assess its impact on the bid. To that end, Aurora sent Molopo a number of queries but to date Molopo has not provided any further information in response to them.

As a result of Molopo's failure to provide the market with any further information, Aurora is unable to assess the impact of the Transaction on its bid. Based on the limited information currently available to it, Aurora considers the Transaction will likely be significantly value dilutive to Molopo. According to Aurora's calculations, that value dilution is in the order of \$0.035 per Molopo share.

In the circumstances, Aurora has withdrawn its bid due to Molopo triggering the 'no material transactions' defeating condition. Although Molopo recently indicated that it would respond to Aurora's information

requests in relation to the Transaction, nothing has been provided thus far, or in time to allow Aurora to consider and make a decision to continue with its proposed bid within the timeframe stipulated in the Corporations Act.

In addition, the half year financial statements of Molopo released yesterday show a consumption of Molopo's cash resources and an after tax operating loss of \$2.7 million. This operating loss includes \$1.4 million in administration expenses, an increase of \$1.1 million for the prior corresponding half year in 2016. Limited explanation has been given in the half year financial statements about this substantial increase in expenditure. The half year loss is the equivalent of \$0.01 per Molopo share and also triggers the proposed 'no material adverse change' defeating condition outlined in Aurora's bid announcement.

Aurora regrets that, as a result of the above, it is no longer in a position to make an offer to Molopo shareholders to acquire their shares at \$0.18 each.

### Announcement of new bid for Molopo

Given the above developments, Aurora as responsible entity of AFARF intends to make a revised off-market takeover bid (**new bid**) under chapter 6 of the Corporations Act 2001 (Cth) for all the issued fully paid ordinary shares in Molopo at a bid price of \$0.135 each.

The price has been decreased, but only by the amount of the estimated dilution to the value of a Molopo share due to the Transaction and operating loss, as calculated by Aurora. The new bid will otherwise be made on the same key terms as the withdrawn bid. However, Aurora will naturally consider any further information provided by Molopo to see if some value can be attributed to the Transaction and, if it can, will take that into account when finalising the bid price and other offer terms for the new bid.

The new bid price offers Molopo shareholders a premium for their Molopo shares of 0.3% above the 30 day volume weighted average price (**VWAP**) for the period ending on 21 July 2017, being the last day on which Molopo shares traded on ASX prior to being placed in trading halt. The new bid price is also just a 3.6% discount to the closing sale price of Molopo shares on 21 July 2017 (before the disclosure of the Transaction and half year operating loss).

The directors of Aurora believe that the proposed new bid still provides an attractive alternative to the current uncertainty and lack of strategic direction at Molopo. Aurora anticipates that its new bid will give Molopo shareholders a welcome opportunity to avoid any further uncertainty and lack of direction, and instead realise their investment in Molopo.

If Aurora is able to gain control of Molopo, it intends to seek to return a material amount of capital to all Molopo shareholders, subject to a careful review of the company's liabilities. Remaining cash assets would then be prudently invested until the resolution of Molopo's litigation, at which point further capital returns would be considered.

Payment of the bid consideration to those accepting Molopo shareholders who elect to receive AFARF units<sup>1</sup> would be satisfied by the issue of the units with a unit value equal to the bid consideration. Unit value would be determined in accordance with the constitution of AFARF, which provides for an objective valuation methodology as required by section 601GA(1)(a) of the Corporations Act. Payment of the bid consideration in cash would be subject to a cap of \$5 million in total. Acceptances for cash consideration that in aggregate exceed \$5 million would be scaled back, with the balance of the bid consideration satisfied by the issue of AFARF units.

The proposed new bid would be subject to a range of defeating conditions which are summarised in the schedule to this announcement.

Investors do not need to take any action in relation to the proposed new bid at the present time. The indicative timetable for the bid is set out below:

| Key event  | Date                |
|--|---------------------|
| Announcement date of new bid   | 12 September 2017   |
| Lodge bidder's statement with ASIC, ASX and Molopo                     | Late October 2017   |
| Dispatch bidder's statement and takeover offers to Molopo shareholders | Early November 2017 |
| Offers open for acceptance   | Early November 2017 |
| Offer period closes (unless extended)                                  | Mid January 2018    |

<sup>1</sup> Units may be of an existing class or a new class created for the purposes of the new bid.

## Rationale for the takeover

The takeover bid is intended to unlock the inherent value in Molopo and its cash assets, giving rise to the ability to deliver value added outcomes for both Molopo and Aurora investors. Offers under the new bid will give Molopo shareholders the opportunity to receive consideration at a slight premium to Molopo's most recent 30 day VWAP.

## Molopo shareholders

Molopo shareholders will have the ability to elect to receive consideration (either cash or AFARF units). Those who elect to receive AFARF units will become part of an enlarged unlisted managed investment scheme with initial net assets in excess of \$60 million (on a pro forma basis assuming 100% acceptances, less \$5 million cash consideration and assuming no other material change to current net assets).

The offers will provide Molopo shareholders with a value accretive exit strategy and the option to stay invested in Molopo through the AFARF portfolio (although in a diluted form) in addition to other investments held by AFARF.

In addition, the offers will enable Molopo shareholders to become unit holders in a fund that allows them to redeem their investment at net asset value per unit (less the buy/sell spread) via an off-market redemption process, noting liquidity restrictions may apply (see 'AFARF liquidity' below).

## AFARF unitholders

The takeover bid, if successful, will strengthen AFARF's asset base and will provide an improved ability for the fund to target a larger universe of investments that will provide greater portfolio returns on a measured and sustainable basis leading to enhanced distributions growth without significant increased risk.

By virtue of the benefits of economies of scale, the enlarged entity also has the capacity to reduce the management expense ratios currently charged to AFARF unit holders on an enduring basis as the costs will be spread over a larger unit holder base. It is also reasonable to anticipate the potential for operating synergies over the medium term including in relation to administration and overhead expenses.

## AFARF liquidity

Aurora notes that redemption guidelines are currently in place to manage the liquidity requirements of AFARF. In summary, redemption requests are considered and processed on a quarterly basis and, as a general principle, AFARF provides unit holders with access to liquidity by redemptions of up to 5% of the total funds under management in any given quarter (with applications being scaled back proportionately if aggregate redemption requests for a quarter exceed that threshold). Full details of the redemption guidelines are set out in the 'Liquidity Management' fund update dated 17 February 2017 available from Aurora's website (<http://www.aurorafunds.com.au/investment-funds/afarf-unlisted-managed-fund/fundupdates/>).

The liquidity management of AFARF and redemption guidelines are subject to change, and the board of Aurora intends to review the guidelines in the course of finalising AFARF's bidder's statement for its proposed takeover of Molopo. Any updates in relation to this matter will be uploaded to Aurora's website, and the bidder's statement will include an explanation of any applicable redemption guidelines.

## Proposed takeover bid legally compliant

On 1 September 2017, Molopo made an ASX announcement querying whether AFARF could lawfully make its proposed takeover bid for Molopo in compliance with the Corporations Act, in view of the orders made by the Takeovers Panel in the recent Molopo proceedings. Aurora wrote to Molopo explaining why its claims were baseless and inviting it to correct the misleading announcement. Regrettably, Molopo has not done this. In the circumstances, Aurora confirms that its previous proposed bid was structured in compliance with both the Corporations Act and the Takeovers Panel orders, as is its current proposed bid.

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**Further information**

If you have any queries in relation to the takeover bid do not hesitate to contact Betty Poon by telephone 1300 553 431.

Yours faithfully



Betty Poon  
**Company Secretary**  
**Aurora Funds Management Limited**  
**as responsible entity of**  
**Aurora Fortitude Absolute Return Fund**

-- ENDS --

**About Aurora**

Aurora Funds Management Limited (**Aurora**) is the responsible entity of the Aurora Fortitude Absolute Return Fund. Aurora is an Australian based alternative asset manager that specialises in managing absolute-return strategies for high net worth, retail and institutional investors. Aurora utilises a value-orientated approach to select suitable investments that aim to provide investors with positive risk-adjusted returns that are independent of benchmarks or investment cycles.

## Schedule

### Proposed defeating conditions

(a) **50.1% minimum acceptance**

At the end of the period during which offers (**Offers**) under Aurora's takeover bid are open for acceptance (**Offer Period**), Aurora has a relevant interest in more than 50.1% (by number) of Molopo shares on issue at that time.

(b) **Regulatory approvals**

Before the end of the Offer Period, all regulatory approvals or consents that are required by law, or by any regulator and:

- (1) are necessary to permit the Offers to be lawfully made to and accepted by Molopo shareholders; or
- (2) as a result of the Offers or the successful acquisition of Molopo shares by Aurora are necessary for the continued operation of the businesses of Molopo and its subsidiaries or Aurora and its subsidiaries or managed investment schemes of which it is the responsible entity;

are granted, given, made or obtained on an unconditional basis, remain in full force and effect in all respects, and do not become subject to any notice, intimation or indication of intention to revoke, suspend, restrict, modify or not renew the same.

(c) **No regulatory action**

During the period starting on the date (**Announcement Date**) Aurora publicly announces its intention to make the takeover bid and ending at the end of the Offer Period:

- (1) there is not in effect any preliminary or final decision, order or decree;
- (2) no action or investigation is announced, commenced or threatened; and
- (3) no application is made (other than by Aurora or its subsidiaries),

by or to any regulator in consequence of or in connection with the bid which restrains, prohibits or impedes, or threatens to restrain, prohibit or impede, or may otherwise materially adversely impact upon, the making of the Offers, the acceptance of the Offers or the completion of the acquisition of Molopo shares or seeks to require the divestiture by Aurora of any Molopo shares, or the divestiture of any assets by Molopo, Aurora or any subsidiary of Molopo or Aurora.

(d) **No prescribed occurrences between Announcement Date and service of bidder's statement**

During the period starting on the Announcement Date and ending at the end of the day before Aurora's statement for the bid prepared by Aurora is given to Molopo, none of the occurrences listed below happens:

- (1) Molopo converts all or any of its shares into a larger or smaller number of shares;
- (2) Molopo or a subsidiary of Molopo resolves to reduce its share capital in any way;
- (3) Molopo or a subsidiary of Molopo:
  - (A) enters into a buy-back agreement; or
  - (B) resolves to approve the terms of a buy-back agreement under section 257C(1) or 257D(1) of the Corporations Act;

- (4) Molopo or a subsidiary of Molopo issues shares or grants an option over its shares, or agrees to make such an issue or grant such an option;
- (5) Molopo or a subsidiary of Molopo issues, or agrees to issue, convertible notes;
- (6) Molopo or a subsidiary of Molopo disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
- (7) Molopo or a subsidiary of Molopo charges, or agrees to charge, the whole, or a substantial part, of its business or property;
- (8) Molopo or a subsidiary of Molopo resolves to be wound up;
- (9) the appointment of a liquidator or provisional liquidator of Molopo or of a subsidiary of Molopo;
- (10) a court makes an order for the winding up of Molopo or of a subsidiary of Molopo;
- (11) an administrator of Molopo, or of a subsidiary of Molopo, is appointed under section 436A, 436B or 436C of the Corporations Act;
- (12) Molopo or a subsidiary of Molopo executes a deed of company arrangement; or
- (13) a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of Molopo or of a subsidiary of Molopo.

(e) **No prescribed occurrences between service of bidder's statement and end of Offer Period**

During the period starting on the day before Aurora's statement for the bid prepared by Aurora is given to Molopo and ending at the end of the Offer Period, none of the occurrences listed in paragraph (d) above happens.

(f) **No material transactions**

Except for any proposed transaction reasonably full details of which are publicly announced by Molopo before the Announcement Date, none of the following events occurs during the period starting on the Announcement Date and ending at the end of the Offer Period without the written consent of Aurora:

- (1) Molopo, or any subsidiary of Molopo, acquires, offers to acquire or agrees to acquire one or more companies or assets (or an interest in one or more companies or assets) for an amount in any single transaction of more than \$2 million or an amount in aggregate in any series of transactions of more than \$2 million, or makes an announcement about such an acquisition or acquisitions;
- (2) Molopo, or any subsidiary of Molopo, disposes, offers to dispose or agrees to dispose of one or more companies or assets (or an interest in one or more companies or assets) for an amount in any single transaction of more than \$2 million or an amount in aggregate in any series of transactions of more than \$2 million, or makes an announcement about such a disposal;
- (3) Molopo, or any subsidiary of Molopo, enters into, offers to enter into or announces that it proposes to enter into any joint venture, partnership or dual listed company structure involving a commitment of greater than \$2 million in any single transaction or an amount in aggregate in any series of transactions of more than \$2 million, or makes an announcement about such a commitment; or
- (4) Molopo, or any subsidiary of Molopo, incurs or commits to, or grants to another person a right the exercise of which would involve Molopo or any subsidiary of Molopo incurring or committing to any capital expenditure or liability for one or more related items of greater than \$2 million, or makes an announcement about such a commitment.

(g) **No material adverse change**

During the period starting on the Announcement Date and ending at the end of the Offer Period, no change occurs, is discovered (including where Aurora becomes aware that information publicly filed is, or is likely to be, incomplete, incorrect or untrue or misleading) or becomes public which has or could reasonably be expected to have a material adverse effect on the assets, liabilities, financial position, performance, profitability or prospects of Molopo and its subsidiaries taken as a whole.

(h) **No material failings in filings**

Aurora does not become aware, during the period starting on the Announcement Date and ending at the end of the Offer Period, that:

- (1) any document filed by or on behalf of Molopo or any subsidiary of Molopo with ASX, ASIC or any other regulator contains a statement which is incorrect or misleading in any material particular or from which there is a material omission; or
- (2) there has been an omission by Molopo or any subsidiary of Molopo to give any material information to ASX, ASIC or any other regulator required by the ASX Listing Rules, the Corporations Act or any other applicable law.

(i) **No persons exercising rights under certain agreements or instruments**

Before the end of the Offer Period, there is no person exercising or purporting to exercise or stating an intention to exercise any rights under any provision of any agreement or other instrument to which Molopo or any subsidiary of Molopo is a party or by or to which Molopo or any subsidiary of Molopo or any of its assets may be bound or be subject, which results, or could result, to an extent to which is material in the context of Molopo taken as a whole, in:

- (1) any money borrowed by Molopo or any subsidiary of Molopo being or becoming repayable or being capable of being declared repayable immediately or earlier than the repayment date stated in such agreement or other instrument;
- (2) any such agreement or other such instrument being terminated or modified or any action being taken or arising thereunder;
- (3) the interest of Molopo or any subsidiary of Molopo in any firm, joint venture, trust corporation or other entity (or any arrangements relating to such interest) being terminated or modified; or
- (4) the business of Molopo or any subsidiary of Molopo with any other person being adversely affected.

(j) **Conduct of Molopo's business**

During the period starting on the Announcement Date and ending at the end of the Offer Period, none of Molopo and any body corporate which is or becomes a subsidiary of Molopo, without the written consent of Aurora:

- (1) declares, or distributes any dividend, bonus or other share of its profits or assets except for a dividend by a wholly-owned subsidiary of Molopo;
- (2) alters the rights attached to any of its shares or other securities or proposes to do so;
- (3) makes any change to its constitution or passes any special resolution or proposes to do so;
- (4) gives or agrees to give any encumbrance (including a security interest or mortgage) over any of its assets otherwise than in the ordinary course of business;
- (5) increases the aggregate limit of Molopo and its subsidiaries' bank facility limit, or draws down on that facility or otherwise borrows other than in the ordinary course of the business of Molopo and its subsidiaries taken as a whole;

- (6) releases, discharges or modifies any substantial obligation to it of any person, firm or corporation or agrees to do so;
- (7) has appointed any additional director to its board of directors whether to fill a casual vacancy or otherwise;
- (8) enters or agrees to enter into any contract of service or varies or agrees to vary any existing contract of service with any director or manager, enters or agrees to enter into any contract for service or varies or agrees to vary any existing contract for service with any consultant or contractor or other person for the provision of the services of a director or manager or the provision of services the same as or substantially similar to those provided (or that otherwise would be provided) by a director or manager, or pays or agrees to pay any retirement benefit or allowance to any director, manager or other employee or consultant or contractor, or makes or agrees to make any substantial change in the basis or amount of remuneration of any director, manager or other employee or consultant or contractor (except as required by law or provided under any superannuation, provident or retirement scheme as in effect on the Announcement Date);
- (9) conducts its business otherwise than in the ordinary course; or
- (10) executes a deed of company arrangement or passes any resolution for liquidation, or has appointed or becomes susceptible to the appointment of an administrator, a receiver, a receiver and manager or a liquidator, or becomes subject to an investigation under the Australian Securities and Investments Commission Act 2001 (Cth) or any corresponding legislation involving a contravention of the Corporations Act by Molopo or a subsidiary of Molopo.

(k) **No break/inducement fees**

During the period starting on the Announcement Date and ending at the end of the Offer Period, none of Molopo and any body corporate which is or becomes a subsidiary of Molopo, pays or provides or agrees (whether conditionally or contingently) to pay or provide any benefit to any person, or foregoes or otherwise reduces any payment or benefit or agrees to forgo or reduce any payment or benefit to which it would otherwise be entitled, in connection with any person making or agreeing to participate in, or enter into negotiations concerning:

- (1) a takeover bid for Molopo or any body corporate which is or becomes a subsidiary of Molopo; or
- (2) any other proposal to acquire any interest (whether equitable, legal, beneficial or economic) in shares in, or assets of, Molopo or any body corporate which is or becomes a subsidiary of Molopo, or to operate Molopo as a single economic entity with another body corporate;

except for a payment, benefit or agreement:

- (3) for providing professional advisory services to Molopo;
- (4) which is approved in writing by Aurora;
- (5) which is approved by a resolution passed at a general meeting of Molopo; or
- (6) which is made to, provided to, owed by or made with Aurora.

(l) **No force majeure event**

During the period starting on the Announcement Date and ending at the end of the Offer Period, no act of war (whether declared or not) or terrorism, mobilisation of armed forces, civil commotion or labour disturbance, fire or natural disaster, or other event beyond the control of Molopo or the relevant subsidiary occurs which has an adverse effect or is likely to have an adverse effect on the assets, liabilities, financial position, performance, profitability or prospects of Molopo and its subsidiaries taken as a whole.



(m) **Non-existence of certain rights**

During the period starting on the Announcement Date and ending at the end of the Offer Period, no person has any right (whether subject to conditions or not) as a result of Aurora acquiring Molopo shares:

- (1) to acquire, or require Molopo or a subsidiary of Molopo to dispose of, or offer to dispose of, any material asset of Molopo or a subsidiary of Molopo; or
- (2) to terminate or vary any material agreement with Molopo or a subsidiary of Molopo.

(n) **No superior alternative proposal**

No alternative proposal to Aurora's takeover bid is announced during the Offer Period that:

- (1) is recommended by any Molopo director; or
- (2) offers consideration that is equal or higher than the consideration offered under the bid valued, as far as practicable, in accordance with the principles applying under section 621(3) of the Corporations Act and ASIC Regulatory Guide 9: Takeover bids.

(o) **Restriction on others acquiring shares in Molopo**

During the period starting on the Announcement Date and ending at the end of the Offer Period, no person other than Aurora or an associate of Aurora (as defined in section 12(2) of the Corporations Act) gains 10% or more of the voting power in Molopo.

(p) **Market movement (10% fall)**

During the period starting on the Announcement Date and ending at the end of the Offer Period:

- (1) the All Ordinaries Index is 10% or more below its level as at the close of trading immediately preceding the Announcement Date; or
- (2) the S&P/ASX 200 Index is 10% or more below its level as at the close of trading immediately preceding the Announcement Date;

for a duration of longer than 3 consecutive ASX trading days.

(q) **Share price movement**

During the period starting on the Announcement Date and ending at the end of the Offer Period, the closing sale price of a Molopo share on ASX is below \$0.11 for 3 consecutive trading days.

(r) **No material litigation**

During the period starting on the Announcement Date and ending at the end of the Offer Period:

- (1) none of Molopo and any body corporate which is or becomes a subsidiary of Molopo has threatened or commenced against it any material claims or proceedings in any court or tribunal (and a claim or proceeding is taken to be material if it may reasonably result in a judgment of \$100,000 or more), other than that which has been fully and fairly publicly disclosed to ASX prior to the Announcement Date;
- (2) the consideration under the Offers is required to be increased or Aurora or an associate of Aurora is required or reasonably likely to be required to pay any amount to any one or more Molopo shareholders in connection with the Offer as a result of:
  - (A) any litigation that is commenced, is threatened to be commenced, announced or is made known to Molopo (whether or not becoming public); or

- (B) any preliminary or final decision or order of any regulator or other government agency, other than as a result of Aurora publicly undertaking to increase the consideration under the Offers or Aurora lodging a notice of variation under section 650D of the Corporations Act relating to an increase of the consideration under the Offers; or
- (3) the aggregate liability of Molopo and any body corporate which is a subsidiary of Molopo under or in connection with any existing claim or proceeding in any court or tribunal is or is likely to be materially more than the provision made for the claim or proceeding in Molopo's last audited annual financial statements or, if no provision has been made, is or likely to be more than \$100,000.

(s) **Divestment under Takeovers Panel's orders**

None of the Molopo shares vested in the Commonwealth in accordance with the orders made on 7 July 2017 by the Takeovers Panel in the matter of Molopo Energy Limited 03R, 04R & 05R are sold to Aurora in consequence of an Offer in respect of the shares being accepted by or on behalf of the Commonwealth in contravention of the orders (as modified or replaced).

Further information regarding the Offers and the conditions will be provided to Molopo shareholders in Aurora's bidder's statement.