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NEWS RELEASE

GAS VENTING FROM ADJACENT BOREHOLES LEADS TO TEMPORARY SUSPENSION OF WELL TEST ON N.S.W. COALBED METHANE PROJECT

Molopo announces that production testing of the LMG03 coalbed methane well in New South Wales' Gloucester Basin had to be suspended for several weeks due to gas venting from a number of old boreholes up to 300 metres away from the gas well.

At the time of suspension the LMG03 well was producing gas at a rate in excess of 280,000 cubic feet/day, despite having been on pump for only two weeks. Water production had reached approximately 180 barrels of water/day.

Gas production was still increasing when the well was suspended with the water level sitting at only 80 metres below the surface. The lowermost target seam in the well occurs at 405 metres from surface.

Mr. David Casey, an executive director of Molopo and the Project Manager for the Gloucester Project, said that initial production results were extremely encouraging however continued long term testing was still required to confirm the ultimate potential of this well.

"The connection of the boreholes to our gas well over such a short time frame and particularly given the small pressure reduction in LMG03 is an indicator of very good reservoir connectivity," he said.

The neighbouring boreholes that are producing gas were drilled as part of previous coal exploration efforts and do not appear to have been plugged. Mr. Casey said that testing had to be suspended to allow these wells to be cement sealed.

It is anticipated that testing will recommence in the next 3 to 4 weeks after all wells likely to impact future testing are plugged.

The LMG03 well, situated within the Stratford prospect, was completed across four coal intervals representing a net coal thickness of up to 23 metres.

The well is one of two production wells at the Gloucester Basin permit as part of the Phase 1 work program, the second well (LMG02) using the surface to in seam lateral well technology.

Molopo and its joint venture partner, A J Lucas Coal Technologies Pty Ltd, are production testing the Gloucester Basin prospect with the aim of supplying gas to the Sydney and Newcastle markets.

The Gloucester Basin permit is located approximately 100km north of Newcastle and covers an area of 1,308 km² and has over 200km² of prospective coal measures. The initial focus of the two joint venture partners, AJ Lucas Coal Technologies Pty. Ltd and Molopo Australia Limited, is on a 5km² area referred to as the Stratford Prospect which has an estimated 90 petajoules of gas in-place.

Interest holders in the Gloucester Basin project are, AJ Lucas Coal Technologies Pty. Ltd, (75% & Operator) and Molopo Australia Limited (25% & Project Manager).

Yours sincerely



Andrew Metcalfe
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Molopo Australia Limited is an ASX listed gas producer focused primarily on the development of coalbed methane. Molopo holds a 25% interest in several gas fields located in the Bowen Basin, Queensland, a 25% interest in CBM operations located in the Gloucester Basin (NSW), a 15% interest in two permits in the Clarence Moreton Basin (NSW) and a 50% interest in the Liulin project in China.