



ASX ANNOUNCEMENT

31 August 2009

MOLOPO TO ACQUIRE OIL ASSETS IN CANADA

Molopo Australia Ltd (“Molopo”) is pleased to announce that it has executed conditional agreements to acquire a private Canadian company with assets targeting the Spearfish oil play (“the Spearfish Company”) and, in a separate transaction, 66 sections (approximately 42,000 acres) of land targeting the Bakken oil play (“the Bakken Company”), both located in Canada. The total acquisition price for the two transactions is C\$27.4m and is to be funded by the issue of Molopo shares with a value of C\$10.2m and C\$17.2m in cash.



Molopo’s Managing Director, Mr Stephen Mitchell, stated:

“The acquisitions represent a very exciting opportunity to build Molopo’s production, cash flow and reserves in the near term and each has the potential to add considerable value to the Company. The new projects also complement our existing gas assets in Canada by adding exposure to oil prices and short-term development potential. We expect to balance these new project acquisitions with the divestment of assets in our non-core areas in the near future and the cancellation of the share buyback effective immediately. This will ensure our resources remain focussed on Queensland, Canada and South Africa”

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Molopo's Chief Operating Officer, Ian Gorman, added:

"The acquisitions are a natural progression for Molopo as they give us scope to leverage the knowledge we have of horizontal drilling in tight reservoirs by applying it to an area that can immediately generate material cash flows. We believe the two assets combined could have approximately 25-30 Million barrels (MMstb) of recoverable oil (net to Molopo) with production targeted to reach 400-500 bbls/d (net to Molopo) by September next year"

The maximum work commitment spend for Molopo to June 2010 will be approximately C\$13m associated with recompleting old wells and drilling new exploration & production wells in the new lease areas.

In the first transaction Molopo has executed an Acquisition Agreement under which Molopo will acquire all of the Spearfish Company's shares for a total consideration of C\$6.5m in Molopo shares and C\$6.5m in cash. The cash component will be subject to a final working capital adjustment at settlement. Molopo will acquire an ~75% working interest in and operatorship of the acreage acquired. The acreage is located in the Williston basin in Manitoba and currently produces approximately 90 barrels of oil per day. The acreage package comprises 86 sections of land (one section contains 640 acres) and independently certified working interest net 2P reserves of 475 thousand barrels of oil. The acquisition of the Spearfish Company is subject to the successful completion of a Plan of Arrangement, which includes approval by the Spearfish Company's shareholders. It is expected the transaction will be completed late September, 2009.

The second transaction ("the Bakken Company") involves the acquisition of 66 sections of land and an option on a further 8 sections located in Saskatchewan, with 100% working interest and operatorship, from a group of private investors. There are currently no production or reserves associated with the Bakken leases being acquired. A Heads of Agreement has been executed under which Molopo will pay C\$10.7m in cash and C\$3.7m in Molopo shares. The acquisition of the Bakken oil sections is subject to the conclusion of final documentation between the parties and is expected to be completed October 2009.

Further detail on the two acquisitions is attached and a summary presented below:

Item	Spearfish Company	Bakken Company
Acquisition Cost	C\$13.0m	C\$14.4m
Net Working Interest	75% and Operatorship	100% and Operatorship
Land Position	86 Sections (55,040 acres)	66 Sections (42,240 acres) option on further 8 sections
Target Area	14 Sections (16%)	42 Sections (60%)
Target OIIP	100-200 MMstb	120-250 MMstb
Target Recovery Potential (Molopo's share)	8 - 10 MMstb	17 - 20 MMstb
Target Production (Molopo's share) - End 2010	400 b/d	200 b/d

Item	Spearfish Company	Bakken Company
Production Potential (Molopo's share). - End 2012 - End 2014	1500 b/d 3000 b/d	2000 b/d 5000 b/d
Potential Well count	50-75 Wells	160 Wells
Product Price	WTI parity (currently US\$70-75 per BBL)	WTI plus 10-15%

Molopo will as a result of these acquisitions expand its commercial and technical capabilities in Canada by adding approximately 5 new positions and will strengthen the Molopo Canada Board. Mr Marshall Abbott will join Molopo's team in Canada as Deputy Chairman and candidates for the new positions have largely already been identified to allow Molopo to transition immediately into active exploration and development activities.

Marshall Abbott was formerly Chairman & CEO of Sabretooth Energy Ltd. Mr. Abbott is a Petroleum Geologist with 26 years experience in Alberta, Saskatchewan, British Columbia Indonesia and other international oil and gas basins. Prior to Sabretooth, Mr. Abbott was the Chairman and CEO of Cougar Hydrocarbons Inc. (2001 - 2003), the Chairman of Equatorial Energy Inc. ("Equatorial") (2001 - 2004), the President and CEO of Equatorial (1996-2001), VP Exploration of Stampeder Exploration Ltd. (1992 - 1996), Senior Explorationist for Morrison Petroleum Ltd. (1988-1992) and Senior Geologist for Texaco Canada (1983-1988).

Mr Abbott commented that:

"The strength of Molopo's balance sheet allows the Company to pursue value opportunities like the Bakken and Spearfish oil plays. As well, Molopo's technical team has exhibited their ability to bring unconventional reservoirs onstream at low cost. I look forward to being a part of this team and jointly being part of taking the Company to the next level "

Issued by: Molopo Australia Limited

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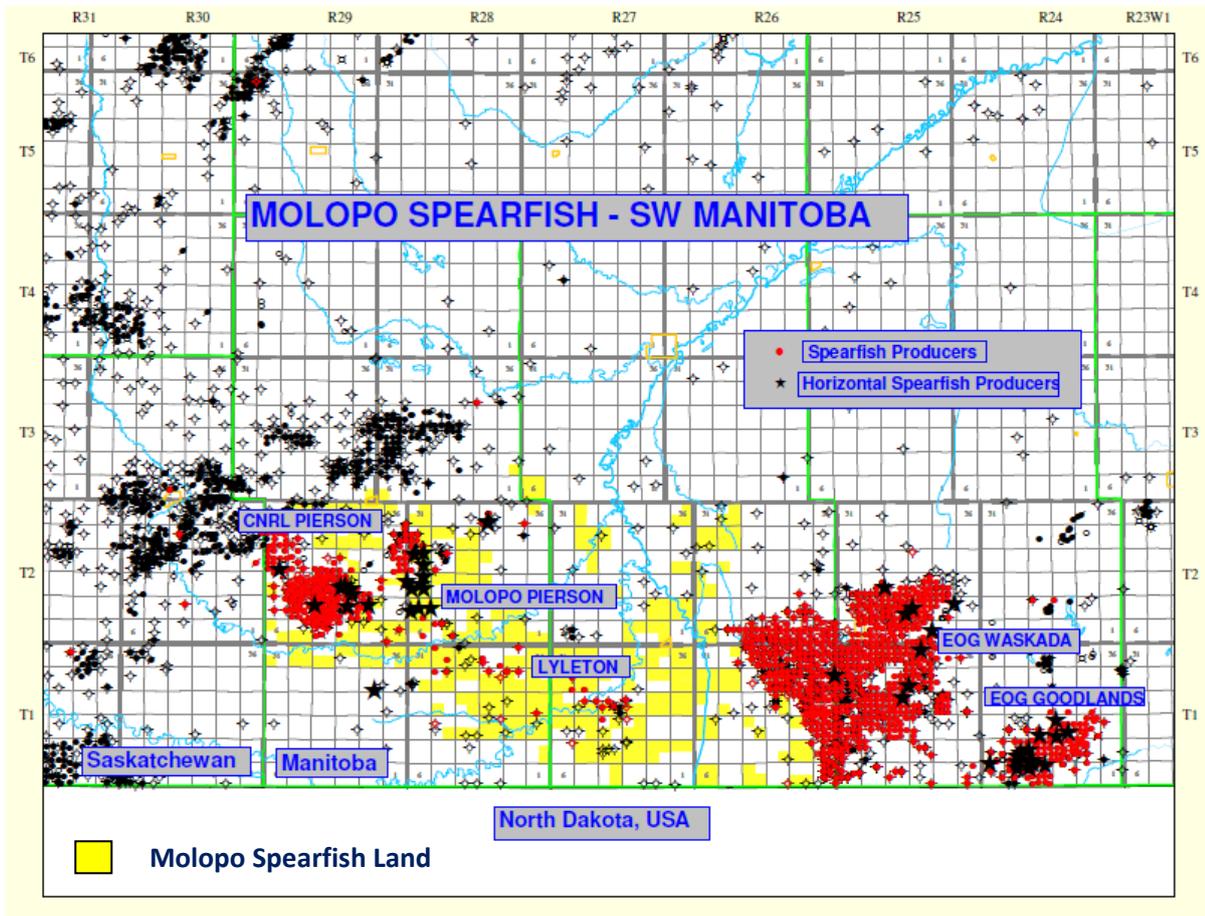
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Molopo Australia Limited is an ASX listed gas producer focused on the development of coalbed methane and other on-shore gas projects. Molopo holds a 50% interest in several gas fields located in the Bowen Basin, Queensland, a 50% interest in a US gas project, a 100% interest in a shale gas project in eastern Canada, interests in two permits in the Clarence Moreton Basin, NSW, an interest in the Liulin CBM project in China, and a 100% interest in two South African projects covering 250,000 hectares.

Spearfish Overview

The Spearfish Company comprises 86 sections of land (1 section is 640 acres) representing 55,040 acres in Manitoba Province, Canada. Molopo will acquire a net 75% working interest (“WI”) and operatorship of these lands.



The acreage has existing production and reserves from the Pierson Field complex and is located between the existing Canadian Natural Resources Limited (“CNRL”) operated Pierson Field to the west and the EOG Resources (“EOG”) operated Waskada and Goodlands Fields to the east.

Molopo will acquire existing production totalling approximately 90b/d from the Pierson Oil field and net 2P (Proved plus Probable) oil reserves as at 31/3/2009 of 0.475 MMstb (million stock tank barrels) independently certified by Chapman Petroleum Engineering Ltd of Calgary, Alberta. In addition Molopo will acquire a part equity stake in a single gas production well in Alberta which is currently being tied-in.

The Spearfish formation is a low permeability poor quality interlaminated silty-sandstone sitting on top of the Mississippian water bearing formation. Downdip the Spearfish has an active water drive but quality degrades to the north-east with oil being trapped between the water and the areas of complete formation quality degradation.

The Spearfish oil play is essentially not tied to structure, but represents a stratigraphic oil trapping mechanism. Target oil pools are mapped by vertical well penetrations and three potential fields

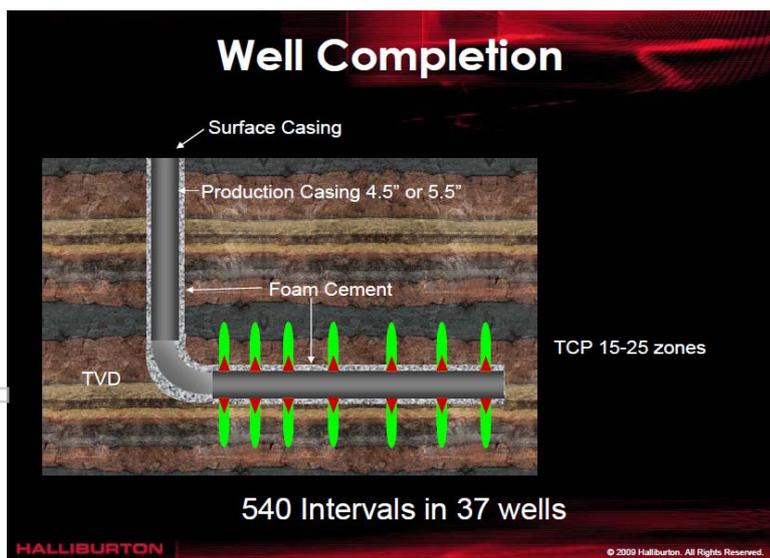
have been identified within the Spearfish Company's acreage. Volumetrics for these three potential fields are summarized below:

	Pierson	Lyleton A	Lyleton B
Area (Sections)	4-5	4-5	3-4
Thickness (m)	7-12	7-12	7-12
Oil Saturation (%)	60	60	60
Porosity (%)	15	15	15
Oil volume Factor (stb/bbl)	1.07	1.07	1.07
OIIP (MMbbl)	38-81	38-81	29-65

Note: Pierson is well delineated and already under production, the Lyleton area has been explored but requires further appraisal to determine its full potential.

The Spearfish oil play is unconventional requiring the use of horizontal wells that are fracture stimulated ("fracing" or "fracs") to deliver economic well flow rates. Fracing into the underlying water has been a source of significant production problems for operators. The key to developing the area is to keep the individual fracs large enough to stimulate the tight Spearfish sands but not to let them propagate into the underlying water formation.

Older vertical fraced wells have historically achieved initial production rates (IP's) in the range 10-30 b/d, the IP traditionally has then declined at 30-50% per annum before stabilising at a longer term level in the 5-10 b/d range.



In the last 12-24 months well completion techniques now favour the use of 5-10 short length/small stage size fracture stimulation treatments in 500-1000m horizontal well sections (see diagram opposite). This completion technique has been pioneered by EOG of Calgary and utilises technology known within the industry as CobraFrac and StackFrac from service companies such as Halibuton and PackersPlus respectively.

EOG initially achieved encouraging IP flow results in the 150-200b/d range from its early horizontal well attempts at the adjacent Waskada and Goodlands fields. More recently it has been increasing well performance and it is understood to be achieving initial production rates in excess of 300 b/d.

Molopo will initially target horizontal well initial production rates of 150 b/d which it would expect to decline by 50% over the first 12 months and stabilise in the 30-50b/d range over the long term. Reserves per horizontal well are likely to be approximately 0.15-0.20 MMstb with well costs for drilling, completion and tie-in in the range of C\$1.7-2.0. Molopo is targeting higher initial production

rates (similar to EOG) and higher reserves per well for the same well cost as experience in the field is gained.

Molopo considers the initial area of focus will be 14 sections of high graded land at Pierson/Lyleton. This has a potential 100-200 MMstb (gross) of Oil initially in Place (OIIP). The primary drive mechanism is pressure depletion drive and horizontal wells are likely to offer the potential to recover approximately 10% of the oil under these conditions. Molopo's initial reserves target is approximately 8-10 MMstb net to Molopo.

The potential may exist in future years to enhance recovery through the use of secondary recovery techniques such as water injection. Trials of water injection are underway at Waskada and may offer scope to double the expected recovery.

The Spearfish oil is a light sweet crude which is sold under the Edmonton Light crude classification. This crude achieves essentially price parity with WTI which recently has been trading in the US\$70-75 per bbl range. Operating costs are expected to be initially in the C\$15-20 per bbl range and may decrease to C\$10-15 per bbl as production levels increase.

The fiscal regime for Manitoba can be summarised as:

Federal Tax	29%
Provincial Tax	12%
Royalty	20%

Some of the lands will attract royalty relief on the first 63,000 bbl of production.

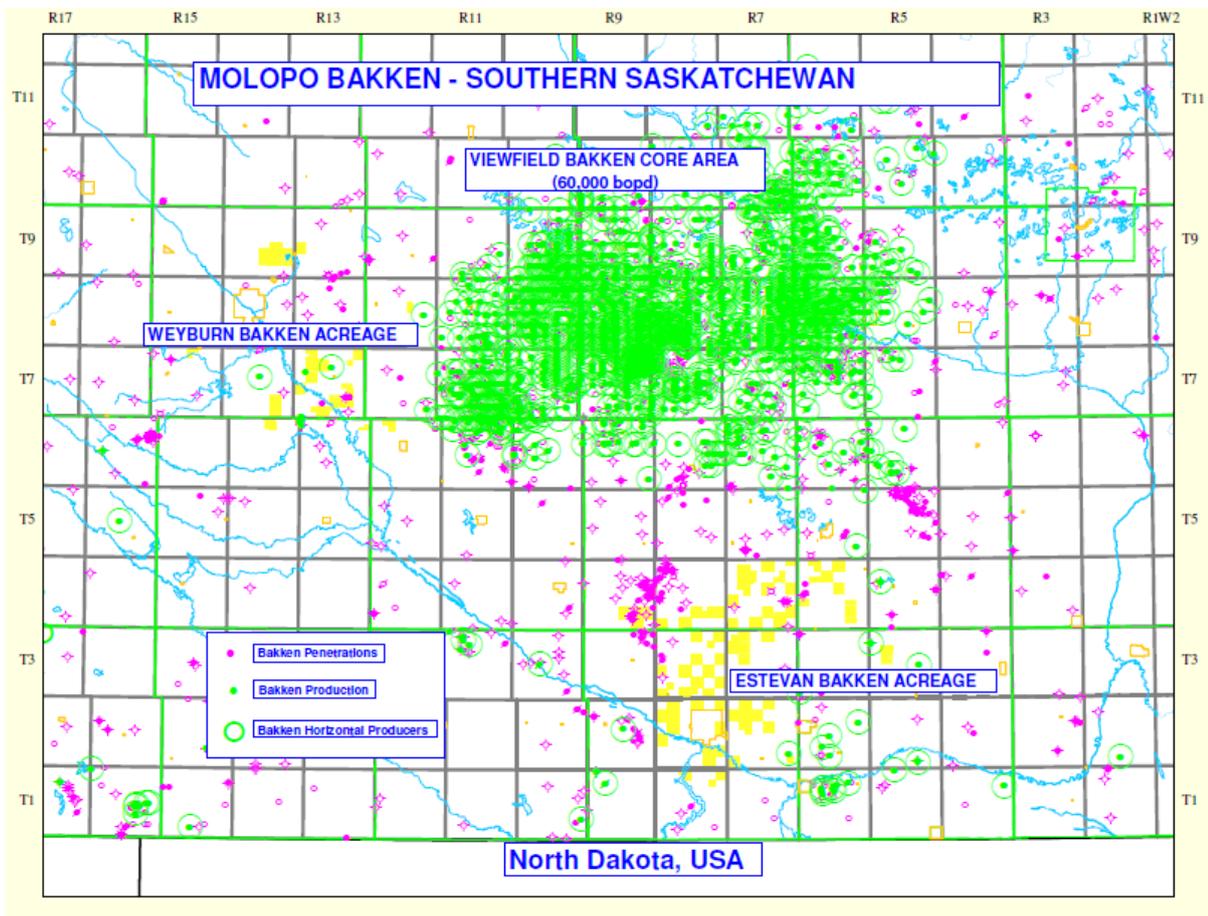
Molopo will need to complete approximately C\$2 million of work programmes before the end of 2009. Additional minimum commitment to June 2010 is a further C\$1 million. It is likely that Molopo will spend more than these minimum levels in order to achieve a production level of 300-400 b/d by June 2010. The high graded Pierson and Lyleton areas offer scope for some 50-75 new well locations and over the next 2-3 years could support production levels in the 3000-5000 b/d range depending on the pace of development activity and assuming successful appraisal at Lyleton.

The Spearfish opportunity was identified as a direct consequence of the staff Molopo identified and secured earlier in 2009. Lanny Fenwick the new Molopo Canada director has significant knowledge of the Spearfish play and Brian Tompkins the new Molopo Canada exploration manager has some 10 years direct experience with the Spearfish play and was involved in the early water injection trials.

Attachment 2

Bakken Overview

The Bakken Company leases comprise 66 sections of land plus options for a further 8 sections (1 section is 640 acres) representing 47,360 acres in Saskatchewan Province, Canada. Molopo will acquire a net 100% working interest (“WI”) and operatorship of these lands, subject to a 7.5 – 15.0% overriding royalty interest payable to the original acreage acquirer.



The Bakken leases Molopo has acquired are located in two key areas – Estevan and Weyburn (shown above). There is no existing production or reserves within the Molopo acreage. The Bakken play is a regionally extensive shale/siltstone extending from Montana and South/North Dakota in the USA to Saskatchewan in Canada. Over the Molopo acreage the reservoir target depth will vary from 1700m at Weyburn to 2200m at Estevan.

Initial Canadian based Bakken exploration and production activity has concentrated on the Viewfield Field located to the east of the Weyburn acreage area and to the north of the Estevan acreage area. However, a number of new production wells have either been permitted to be drilled or are already producing close to the new Molopo acreage at both Estevan (by Connaught Oil and Tristar Oil and Gas), and Weyburn (by Postell Petroleum and Regent Oil and Gas).

The Bakken is an unconventional oil play which in some respects is similar to the Spearfish acquisition in that it will require the use of horizontal wells that are fracture stimulated (“fracking” or “fracs”) to deliver economic well flow rates. Fracking into the adjacent water has been a source of significant production problems for operators. As with the Spearfish the key to developing the

Bakken area is to keep the individual fracs large enough to stimulate the shale section but not to let them propagate into the adjacent water formation.

The technological advances associated with horizontal drilling and fracture stimulation have combined to significantly enhance the play economics. Technology has resulted in volumetric revisions within the overall Bakken fairway increasing from an Oil initially in Place ("OIIP") of 500MMstb (millions of stock tank barrels) to over 5 billion stb.

In Saskatchewan, the OIIP estimates are of the order of 3-6 million bbls/section and recovery factors (primary pressure depletion) are in the 10-12% range. Recovery will be function of completion improvements and implementation of new horizontal development schemes. Technology trials are currently underway to implement up to 18-20 mini 'suit case fracs' within a lateral, with anticipated initial production rates and recovery factor (to 20%) increases likely from this work. The fracture stimulation technology would be similar to that envisaged for the Spearfish completions.

Older vertical fraced wells (pre-2005) achieved low initial production rates (IPs) in the range 10-15 b/d (barrels per day), the IP traditionally then declined at 30-50% per annum before stabilising at a longer term level in the 4-7 b/d range. The recovery factor for the original vertical fraced well approach was less than 2.5% and the wells usually suffered from high water production. The initial use of horizontal fraced wells in the 2005-2007 period was able to double the vertical well IP's and yielded lower relative water flows. From mid-2007 onwards initial use of the PackersPlus system achieved IP's in the 50-60 b/d range with more recent well completions now achieving flow rates up to 200 b/d and associated recovery factors in excess of 10%.

Molopo will initially target average horizontal well IPs of 110 b/d which it expects to decline by 50% over the first 12 months and stabilise in the 30-50 b/d range over the long term. Reserves per well would be approximately 0.125MMstb and well costs in the range of C\$2.0-2.5 are anticipated. Higher initial production rates and higher reserves per well may be achieved over time for the same well cost as increased experience is gained in the play.

Current success rates (commercial production) for wells drilled within the fairway are in the range of 80-90%. Molopo assumes that this will at least reduce as the fairway area is expanded and it has used a mid case success factor of 60% in assessing the Bakken lease acquisition. This assumption results in approximately 40 prospective sections and an OIIP of 120-250 MMstb yielding a recovery target of approximately 17 - 20 MMstb. Potential oil reserves at varying success factors are summarised below:

Chance of Success	Net Reserves MMstb
40%	14
60%	20
90%	31

The Bakken oil is a light sweet crude which is sold under the Edmonton Light crude classification. This crude achieves essentially price parity with WTI which recently has been trading in the US\$70-75 per bbl range. Additionally, the Bakken oil unlike the Spearfish oil is expected to yield additional gas and NGL's (natural gas liquids) that could increase value by a further 10-15%.

Operating costs are expected to be initially in the C\$15-20 per bbl range and may decrease to C\$10-15 per bbl as production levels increase. The fiscal regime for Saskatchewan is similar to Manitoba. The acreage will attract royalty relief on the first 36,000 to 63,000 stb of production

depending on actual production depth.

Molopo will need to complete a work programme of approximately C\$10 million of to June 2010. This combination of vertical and horizontal wells has the potential to yield initial production of approximately 200 b/d depending on success rates. Longer term there will be scope for approximately 160 wells with the potential to achieve 5000 b/d oil production depending on the pace of exploration/development.

In addition to the main Bakken shale play the acreage is also likely to contain a number of small (1-2 MMstb), commercial oil pools within the uphole, Mississippian cycles. Additionally, there is an emerging Sannich – Three Forks play (immediately underlying the Lower Bakken Shale interval), that is presently being explored for adjacent to the Estevan block in North Dakota. Initial productivities are on the order of 500 bopd and simply reflect hydrocarbon down loading from Bakken source into the underlying reservoir intervals.