



MOLOPO ENERGY LIMITED

Quarterly Report

June 2011

Highlights

- The 2D seismic processing across Molopo's Wolfcamp acreage has been completed and drilling locations have been identified; drilling is planned to commence in second half of August.
- In the Bakken, eight firm well locations have been selected and a number of contingent well locations have also been identified in Molopo's Taylorton, Estevan and Torquay plays. Drilling will commence as soon as local road and site access damage caused by the extreme flooding in this part of Saskatchewan is repaired.
- Lazard has been appointed to advise on monetisation options for the Queensland assets.
- An on-market share buyback was initiated on 30 May 2011 and to date 5,572,512 shares have been bought back.
- Cash reserves of approximately \$91.3m, plus C\$72.37 million of shares in Legacy Oil +Gas Inc, at the end of the Quarter.

About Molopo Energy Limited

Molopo Energy Limited is an Australian based company with a portfolio of oil and gas projects located in Australia, Canada, USA and South Africa.

Molopo's core portfolio includes the following:

Australia

Queensland (gas):

- PL94 (North) sublease – Mungi Gas Field
- PLA210 – Harcourt
- PLA447/ATP602P - Timmy
- ATP564P – Lilyvale, Oak Park & Harcourt

International

- Canada –Saskatchewan (oil), Quebec (gas)
- United States of America (USA) – Texas (oil and gas)
- South Africa – Evander & Virginia (gas)

Molopo recently completed an in-depth strategic validation exercise. The strategy for the company is one of Focused Growth: building a core of producing assets; monetising non-core assets & accelerating the pace of new business development. Molopo is well funded to pursue this strategy following the March 2011 sale of its Spearfish asset in Canada.

Near-term focus is to assess the potential in Molopo's Bakken and Texas exploration assets through seismic and drilling of between 6 and 12 net wells during 2011, to obtain a Production Right on South Africa and to evaluate divestment options for the Queensland CBM gas assets.

| | |
|-------------------------------------|------------------|
| ASX Code: | MPO |
| Share Price (as at 28/7/11): | A\$0.765 |
| Market Cap (as at 28/7/11): | A\$187.6 million |
| Cash (as at 30 June 2011): | A\$91.3 million |
| Debt (as at 30 June 2011): | Nil |



SALES VOLUMES AND REVENUE

| Molopo Share | Q4 FY11 | Q3 FY11 | Change % |
|-----------------------|------------|------------|-------------|
| Sales Volume (boe) | 16,317 | 59,517 | -73% |
| Revenue (A\$) | 284,327 | 3,497,259 | -92% |

There were no sales volumes in Canada during the Quarter as a result of the sale of the Spearfish asset on 1 March 2011.

Gas sales from the Mungi Gas Field in Queensland were approximately 95TJ.

More detailed information is reported below in the Project Review sections.

PROJECT REVIEW

CANADA

Saskatchewan (Bakken)

Molopo holds a 100% working interest in 45,468 acres and four producing wells in the area. An additional 7,360 acres could be earned by drilling a further well in the Torquay area.

During the Quarter exceptionally wet weather conditions and flooding in Saskatchewan have provided a challenge to Molopo's drilling plans and Bakken production. No operators in the area have been able to commence Summer drilling. Nevertheless, Molopo has identified eight firm locations and a number of contingent well locations in its Taylorton, Estevan and Torquay plays and drilling is planned to begin as soon as conditions allow. Production test results should be available in late 2011/early 2012.

Molopo has acquired and interpreted available regional 2D seismic, and a small 3D seismic survey is currently being processed for interpretation. A larger proprietary 3D seismic survey is being permitted. These seismic data sets will support a more directed 2011 drilling program to evaluate the economic viability of each of the discrete Bakken play fairways.

As a consequence of the exceptional flooding events, there was no Bakken production and hence no oil sales during the Quarter.

QUEBEC SHALE GAS (100% Working Interest, 80.0-87.5% NRI)

As at the end of the Quarter, Molopo held approximately 1.4 million acres of exploration acreage in the province of Quebec, Canada.

With effect from June 13, 2011 the Quebec Government enacted Bill 18 "*An act to limit oil and gas activities*". The Act revoked certain mining rights in the St Lawrence River area which Molopo believes will impact only one of its permits containing approximately 38,500 acres. Bill 18 further provides that work obligations are waived for holders of licences to explore for petroleum and natural gas from performing the work required under the Mining Act from June 13, 2011 until such date as determined by the Minister; however such date shall not be later than June 13, 2014 (the "Exemption Period"). The term of the licences shall be suspended during the Exemption Period and the expiry date extended correspondingly. Molopo is awaiting formal confirmation from the Ministère des Ressources Naturelles et de la Faune on the impact and application of the Act on its holdings.

Quebec remains a potentially attractive longer term investment opportunity for Molopo. During the Exemption Period, minimal costs are anticipated associated with holding Molopo's acreage position in light of Bill 18, and Molopo will continue to work with the Québec Government, through the joint industry forum QOGA, to help establish a successful framework for the industry moving forward.

UNITED STATES OF AMERICA

TEXAS TIGHT OIL - WOLFCAMP (78% initially, excluding partner back-in rights)

Molopo's Wolfcamp oil resource play interests are located in the prolific Permian basin of West Texas. Molopo is targeting the Wolfcamp Formation which is expected to be at a vertical depth range of 1500-2400 m on its acreage. Total gross thickness of the interval is expected to be approximately 400m and is believed to contain several prospective sequences in the Upper, Middle and Lower Wolfcamp. Other oil and gas targets may also exist in both shallower and deeper sequences, offering potential for additional hydrocarbon reserves and production.

Molopo has reprocessed and interpreted over one hundred miles of 2D seismic across the current acreage position. Well locations have been selected and site permitting and rig selection is currently underway. Drilling is planned to commence during August. A proprietary 3D seismic survey will be



acquired later this year to assist with the 2012 drilling program. For the Wolfcamp asset, Molopo's aim is to drill three vertical test wells and then sidetrack these to production test three horizontal wells with results expected in Q1 2012, once initial flows have stabilised.

AUSTRALIA - BOWEN BASIN, QUEENSLAND

In line with its strategy announced in April, Molopo has started the development of monetisation options for these assets. Lazard has been engaged to provide advice on this process.

MUNGI GAS FIELD – PL94 (North) sublease (67.1% interest)

Molopo's Mungi Gas Field is located near Moura, in Queensland, Australia.

Molopo's Mungi Gas Field operations were focused on production from pilot wells and well monitoring throughout the Quarter. Well site remediation and compliance checks on active and inactive wells continued.

Gas production declined through the Quarter due to the ingress of coal fines in the intakes below the pumps at MN20V, MN20Va and MN23V. A workover program was developed including change outs of these pumps. These workover operations began with the arrival of the workover rig on 27th June.

Molopo's share of production (after deducting its own use gas for compressions) and gas sales from the Mungi Gas Field for the Quarter was approximately 95TJ, which represented a 26% decrease on the previous Quarter volume of ~121 TJ, for the reasons noted above.

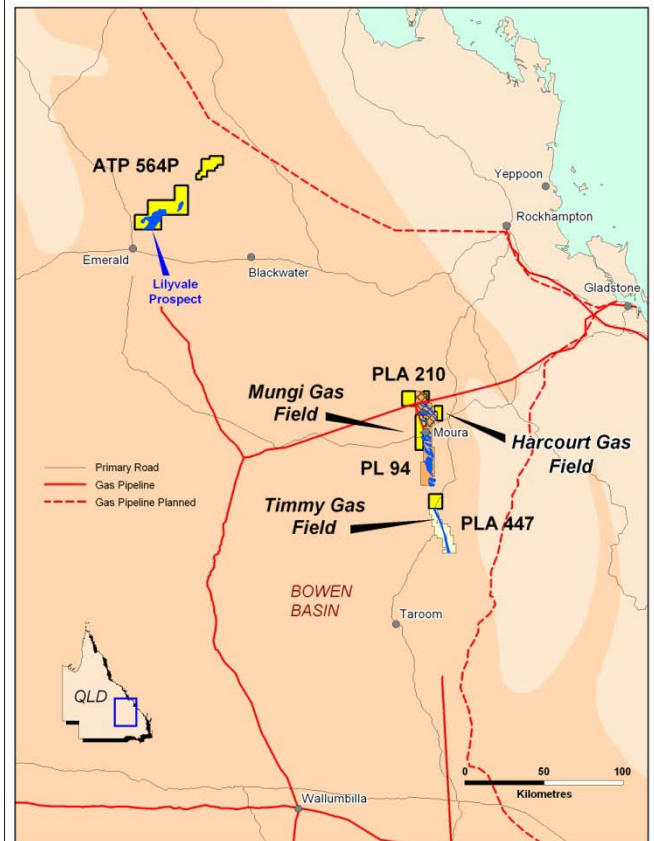
HARCOURT/MUNGI WEST GAS PROJECTS – PLA210/ATP564P (67.1% interest)

Molopo's Harcourt and Mungi West projects are located near Moura, Queensland, Australia.

Exploration activity in these projects is on hold while the development of monetisation options for the Queensland assets progresses.

TIMMY GAS FIELD – PLA447/ATP602P (62.9% interest)

Molopo's Timmy Gas Field is located near Theodore, Queensland.



Queensland Permits

Exploration activity in these projects is on hold while the development of monetisation options for the Queensland assets progresses.

During the Quarter Molopo continued its consultations with the Queensland Government and two coal companies in relation to PLA447. PLA447 overlaps coal exploration tenements held by two parties.

LILYVALE/OAK PARK PROJECTS – ATP564P (67.1% interest)

Molopo's Lilyvale and Oak Park projects are located near Blackwater, Queensland.

Exploration activity in these projects is on hold while the development of monetisation options for the Queensland assets progresses.

SOUTH AFRICA (100% interest)

Molopo has gas assets in the Virginia area in Free State province and the Evander area southeast of Johannesburg.

Molopo continues to work with Government authorities on expediting the granting of the Production Right following Molopo's submission of

an application over an initial 0.2 million acres in the Virginia area.

This Production Right is one of the key conditions precedent in the Gas Sales Agreement between Molopo and Novo Energy (NOVO) on a contract for the initial sale of approximately 600,000 scf/d (with right of first refusal to increase up to 8.2 MMscf/d) of gas to be converted to compressed natural gas (CNG) by NOVO for use in vehicles.

The drilling of two Exploration wells was completed during the Quarter in the Virginia area, with both wells encountering gas indications. HZON01, is under-going production testing and was flowing approximately 30,000cf/d from fractured Archean basement (the primary target) at the end of the Quarter. HPAL01, will undergo further evaluation later in the year. Coal core samples were cut from these wells to determine the gas content of coals from the Karoo Super Group sediments (the secondary target); this data will be analysed in the next quarter.

Gas flow monitoring of the Virginia boreholes continued during the Quarter. Total gas production from the 11 monitored boreholes continue to flow at a rate of approximately 1.2 MMcf/d, and a further 0.3 MMcf/d flow rate is being achieved from the 6 boreholes in the Evander area.

CORPORATE

Cash and Debt

At the end of the Quarter, Molopo had approximately \$91.3 million of cash reserves, C\$72.37 million in Legacy Oil + Gas Inc shares, and no debt.

On-Market Buyback

Molopo commenced an on-market buyback on 30 May 2011 and to date has bought back and cancelled 5,572,512 shares.

Legacy shares

Molopo holds 6,180,000 shares in Legacy Oil + Gas Inc, which are escrowed until 1 September 2011.

Legal Claim

On 7 March 2011, Molopo Energy Canada Ltd (MECL), a 100% owned subsidiary of Molopo Energy Ltd (Molopo), was served with a statement of claim by a joint venture partner in the Spearfish project. The joint venture partner is seeking various court orders, declarations and specified damages of \$36 million plus further unquantified damages. MECL had previously issued a notice of default to the joint venture partner.

On 8 April 2011, MECL filed a statement of defence and counterclaim in respect of the above matter with the Court of Queen's Bench of Alberta, Canada, defending its position against the joint venture partner. The counterclaim deals largely with matters that were addressed in the initial notice of default served by MECL on the joint venture partner, and generally relates to an outstanding amount of approximately \$3.2 million (plus interest and costs) which MECL believes is owing to it by the joint venture partner.

On 28 April 2011, MECL was served with the joint venture partner's reply to MECL's Statement of Defence to Counterclaim.

As part of the standard litigation process, MECL was served with the joint venture partner's Affidavit of Records on 27 July 2011, and MECL has 30 days from that date to serve its Affidavit of Records on the joint venture partner.

Shareholder Communications

Molopo launched its new strategy in April with a communication to all shareholders supported by presentations and road shows in Australia and North America. Subsequent to the end of the quarter the first of a regular series of Chairman's letters to shareholders was produced and presentations/road shows in Asia commenced.

AGM Date

Molopo advises that it will hold its AGM on 17 November 2011. Further details will be provided in due course.

Yours faithfully,

MOLOPO ENERGY LIMITED

For further information contact:

| | | |
|--------------------|------------|-----------------|
| Ian Gorman | CEO | +61 3 9618 8722 |
| Stephen Arrowsmith | Acting CFO | +61 3 9618 8722 |
| Jessica Huberman | CS | +61 3 9618 8722 |

Appendix 5B

Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

MOLOPO ENERGY LIMITED

ABN

79 003 152 154

Quarter ended ("current quarter")

30 June 2011

Consolidated statement of cash flows

| | | Current quarter \$A'000 | Year to date (12 months) \$A'000 |
|---|--|----------------------------|--|
| Cash flows related to operating activities | | | |
| 1.1 | Receipts from product sales and related debtors | 604 | 21,117 |
| 1.2 | Payments for (a) exploration & evaluation | (2,172) | (10,230) |
| | (b) development | (3,521) | (59,730) |
| | (c) production | (953) | (9,267) |
| | (d) administration | (2,075) | (6,870) |
| 1.3 | Dividends received | - | - |
| 1.4 | Interest and other items of a similar nature received | 425 | 3,919 |
| 1.5 | Interest and other costs of finance paid | (5) | (73) |
| 1.6 | Income taxes paid | - | - |
| 1.7 | Other (Joint venture recoveries) | 94 | 832 |
| Net Operating Cash Flows | | (7,603) | (60,302) |
| Cash flows related to investing activities | | | |
| 1.8 | Payment for purchases of: | | |
| | (a) prospects | - | (6,206) |
| | (b) equity investments | | |
| | (c) other fixed assets | | |
| 1.9 | Proceeds from sale of: | | |
| | (a) prospects | (996) | 93,322 |
| | (b) equity investments | - | - |
| | (c) other fixed assets | - | - |
| | (d) financial instruments | - | 1,833 |
| 1.10 | Loans to other entities | - | - |
| 1.11 | Loans repaid by other entities | - | - |
| 1.12 | Other (provide details if material) | - | - |
| Net investing cash flows | | (996) | 88,949 |
| 1.13 | Total operating and investing cash flows (carried forward) | (8,599) | 28,647 |

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

| | | | |
|---|--|----------|---------|
| 1.13 | Total operating and investing cash flows (brought forward) | (8,599) | 28,647 |
| Cash flows related to financing activities | | | |
| 1.14 | Proceeds from issues of shares, options, etc. | (3,388) | (3,417) |
| 1.15 | Proceeds from sale of forfeited shares | - | - |
| 1.16 | Proceeds from borrowings | - | 8,027 |
| 1.17 | Repayment of borrowings | - | (8,214) |
| 1.18 | Dividends paid | - | - |
| 1.19 | Other (provide details if material) | - | - |
| | Net financing cash flows | (3,388) | (3,604) |
| | Net increase (decrease) in cash held | (11,987) | 25,043 |
| 1.20 | Cash at beginning of quarter/year to date | 106,087 | 73,150 |
| 1.21 | Exchange rate adjustments to item 1.20 | (2,756) | (6,849) |
| 1.22 | Cash at end of quarter | 91,344 | 91,344 |

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

| | | Current quarter \$A'000 |
|------|--|----------------------------|
| 1.23 | Aggregate amount of payments to the parties included in item 1.2 | 176 |
| 1.24 | Aggregate amount of loans to the parties included in item 1.10 | - |

1.25 Explanation necessary for an understanding of the transactions

Per 1.23 Payments made to entities associated with a director pursuant to (i) payment of consulting fees, and (ii) payment of salaries & director's fees.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

| | Amount available \$A'000 | Amount used \$A'000 |
|---------------------------------|-----------------------------|------------------------|
| 3.1 Loan facilities (Canadian) | None | None |
| 3.2 Credit standby arrangements | None | None |

Estimated cash outflows for next quarter

| | \$A'000 |
|---|---------------|
| 4.1 Exploration and evaluation | 16,201 |
| 4.2 Development | 1,800 |
| 4.3 Production (net of sales proceeds) | (24) |
| 4.4 Administration (net of interest received) | 3,241 |
| Total | 21,218 |

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

| | Current quarter \$A'000 | Previous quarter \$A'000 |
|--|----------------------------|-----------------------------|
| 5.1 Cash on hand and at bank | 91,141 | 105,871 |
| 5.2 Deposits at call | - | - |
| 5.3 Bank overdraft | - | - |
| 5.4 Other (Bank Guarantees) | 203 | 216 |
| Total: cash at end of quarter (item 1.22) | 91,344 | 106,087 |

Changes in interests in mining tenements

| | Tenement reference | Nature of interest (note (2)) | Interest at beginning of quarter | Interest at end of quarter |
|---|--------------------|----------------------------------|----------------------------------|----------------------------|
| 6.1 Interests in mining tenements relinquished, reduced or lapsed | | | | |
| 6.2 Interests in mining tenements acquired or increased | | | | |

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

| | | Total number | Number quoted | Issue price per security (see note 3) (cents) | Amount paid up per security (see note 3) (cents) |
|-----|--|--------------|---------------|---|--|
| 7.1 | Preference *securities <i>(description)</i> | | | | |
| 7.2 | Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions | | | | |
| 7.3 | *Ordinary securities | 246,749,227 | 246,749,227 | | |
| 7.4 | Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs | (4,223,357) | (4,223,357) | | |
| 7.5 | *Convertible debt securities <i>(description)</i> | | | | |
| 7.6 | Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted | | | | |

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

| 7.7 | Options (Unlisted mgmt incentive options) | | | Exercise price (A\$) | Expiry date |
|-----|---|-----------|---|----------------------------|--|
| | MPOAK | 300,000 | - | \$0.33 | 6 Nov 2011 (exercised subsequent to quarter end) |
| | MPOAB | 800,000 | - | \$1.84 | 3 July 2011 (expired subsequent to quarter end) |
| | MPOAB | 400,000 | - | \$0.85 | 20 Jan 2012 |
| | MPOAW | 250,000 | - | \$1.29 | 25 June 2012 |
| | MPOAB | 100,000 | - | \$1.60 | 17 December 2012 |
| | MPOAB | 150,000 | - | \$1.46 | 17 December 2012 |
| | MPOAC | 115,000 | - | \$1.42 | 15 March 2013 |
| | MPOAD | 100,000 | - | \$1.45 | 25 March 2013 |
| | MPOAE | 800,000 | - | \$1.56 | 17 December 2012 |
| | MPOAF | 200,000 | - | \$1.66 | 17 December 2012 |
| | MPOAG | 35,000 | - | \$1.21 | 1 April 2013 |
| | MPOAH | 175,000 | - | \$1.50 | 28 February 2013 |
| | MPOAJ | 250,000 | - | \$1.50 | 28 February 2013 |
| | MPOAB | 150,000 | - | \$1.63 | 21 December 2012 |
| | MPOAB | 135,000 | - | \$1.45 | 14 April 2013 |
| | MPOAB | 140,000 | - | \$1.46 | 18 April 2013 |
| | MPOAB | 280,000 | - | \$1.23 | 31 May 2013 |
| | MPOAB | 95,000 | - | \$1.22 | 28 July 2013 |
| | MPOAB | 160,000 | - | \$1.17 | 6 December, 2013 |
| | | 115,000 | - | \$1.04 | 4 April, 2014 |
| | | 250,002 | - | \$0.80 | 30 May, 2016 |
| | | 5,000,002 | - | | |
| 7.8 | Issued during quarter | 115,000 | - | \$1.04 | 4 April, 2014 |
| | | 250,002 | - | \$0.80 | 30 May, 2016 |
| 7.9 | Exercised during quarter | | | | |

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity quarterly report

| | | | | | |
|------|---|-----------|--|--------|----------------|
| 7.10 | Expired during quarter | 420,000 | | \$1.21 | 21 April, 2011 |
| | | 1,708,087 | | \$2.04 | 30 June, 2011 |
| 7.11 | Debentures (totals only) | | | | |
| 7.12 | Unsecured notes (totals only) | | | | |

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the **Corporations Act or other standards acceptable to ASX (see note 5).**
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here:

(Company Secretary)

Date: 29 July 2011

Print name: Jessica Huberman

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 Accounting Standards ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

+ See chapter 19 for defined terms.