MOLOPO ENERGY LIMITED

ABN 79 003 152 154

ASX ANNOUNCEMENT / MEDIA RELEASE **14 September 2011**

MOLOPO ENERGY REPORTS $84.4M PROFIT AFTER TAX FOR YEAR ENDED 30 JUNE 2011

Molopo Energy Limited (“Molopo") has reported a net profit after tax (NPAT) of $84.4m for the financial year ended 30 June 2011. This compares with last year's net profit of $2.6m and reflects a number of one-off items, including the sale of Molopo's Spearfish asset in Manitoba and various costs associated with its management restructure in the second half of the year.

Items of particular note include:	A$m
• Net gain on sale of the Spearfish asset	138.4
• Impairment of the Quebec assets	(7.17)
• Withdrawal of planned IPO of Canadian oil assets following the Spearfish sale	(2.00)
• One off payments to certain employees and executives, including cessation	(2.50)

Commenting on the financial results, **Mr Ian Gorman, Chief Executive Officer**, said “The outstanding success of the sale of the Spearfish asset during the year delivered a significant increase in cash and equivalents which has contributed to an increase in the company’s NTA to $0.98 per share, providing a strong basis for the company to implement the strategic plan announced in April 2011.

“While Molopo encountered some weather-related and regulatory setbacks in some of its Canadian operations during FY2011, new acreage acquired in West Texas and continued progress in our exploration & development activities have positioned the company well to enhance the value of our portfolio in the coming year.”

Summary of Results

	12 months ended 30 June	2010	2011	Change
		$m	$m	$m
	Revenue from Sale of Gas and Oil	6.09	14.15	8.06
	Other revenue	1.22	0.30	
	Total Revenue	7.31	14.45	
Less:	Operating and transport costs	5.08	6.38	1.30
	Other costs	13.68	21.46	7.78
	EBITDA	-11.45	-13.39	-1.94
Less:	Depreciation and amortisation	4.33	7.43	3.10
	Other non-cash costs	1.10	7.53	6.43
	EBIT	-16.88	-28.35	-11.47
	Net interest	3.70	1.42	-2.28
	Operating Loss before tax	-13.18	-26.93	-13.75
Add:	Non-recurring income	14.04	138.43	
Less:	Tax	1.78	-27.08	
	Reported Profit after tax	2.64	84.42	+81.79
	NTA per share	**$0.83**	**$0.98**	

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The sale of Spearfish resulted in a substantial lift to Molopo's reported profit after tax, however the company also incurred some one-off costs associated with this asset. These included the withdrawal of the planned Canadian listing (+$2.00m in 'other costs') together with an increased amortisation charge (+$3.0m) associated with higher production revenues from Spearfish prior to its sale in March 2011. Virtually all of the revenue growth in 2011 came from increased production from Spearfish which increased from $4.92m in 2010 to $12.69m in 2011 (+$7.77m in 'revenue').

During the year salaries and employee benefits rose (+$4.87m in 'other costs'). Over half of this increase reflected one-off payments of $2.51m. The majority of the growth in salaries (+ $1.8m) was due to the increased staff costs associated with the growing asset portfolio. In addition to the above, there was also an exchange loss of $0.87m (also included in 'other costs').

In June 2011 the Quebec government legislated a moratorium for up to 3 years, halting any exploration or development of shale gas in the province over the short term. This resulted in the decision by the company to write down its Quebec asset to zero (-$7.17m 'other non-cash costs'), in accordance with accounting standards.

The underlying performance of the business (as measured by EBITDA) improved vis-à-vis FY2010, with the operating loss declining from $11.46m in 2010 to $8.87m, after adjusting for the impact of non-recurring items. The reported operating loss before tax was negatively impacted by the increased depreciation charge (+$3.0m) associated with the additional revenue from Spearfish, the $7.17m Quebec write-down and the $2.3m reduction in interest income received compared to the prior year.

Strategic Review

Following the EGM in February 2011 and changes to the composition of the Board, the management team underwent significant restructuring. The new management team, with the guidance of a refreshed and energised Board, undertook a major strategic review in March 2011, the outcomes of which were communicated to shareholders in April 2011.

The review concluded that the most effective route to the growth of sustainable shareholder value lies in the development of Molopo's expanding core of producing oil and gas assets (to establish strong revenue growth), accompanied by the simultaneous acquisition of new assets which will complement the existing portfolio and leverage the company's technical and geographical strengths.

"Our 'Focused growth' strategy centres on leveraging the company's core technical skills in unconventional oil and gas exploration and development, especially in North America" Mr Gorman said.
De-risked non-core assets will be monetised as appropriate to fund growth and focus company resources. The sale of Spearfish and the prospective sale of other assets are examples of the execution of this element of our strategy" said Mr Gorman.

Capital Management

Mr Gorman noted that Molopo has a healthy capital position and an abundance of investment opportunities. As at 31 August 2011 Molopo had $65.4m in cash, $64.9m in equity investments (Metgasco and Legacy Oil + Gas shares) and no debt. The company is in a privileged position of having good projects from which to build shareholder value while being well funded for growth over the next two years.

Since 30 May 2011, the company has bought back and cancelled approximately 5.6 million shares for a total cost of $4.3m as part of an ongoing on-market buyback. This buyback has been suspended during the blackout period associated with the finalisation of the company's annual results, and as foreshadowed earlier, will recommence once the outcome of the current divestment process related to the Queensland assets is known and released to the market.

Summary of Operations in FY2011

Canada:
The major operational focus during the year was the appraisal and development of the **Spearfish asset** which included drilling over 30 wells between July and December 2010. The project was highly successful and was sold to Legacy Oil + Gas Inc for a total cash/scrip consideration of C$201m (A$202m) in March 2011.

Production from the existing 4 producing wells in **the Bakken in Saskatchewan** averaged 30bpd. Production in the second half was impacted by exceptional flooding in the area, resulting in shut-ins for 12-15 weeks with production not able to recommence until late August 2011.

In **Quebec,** preliminary work in preparation for drilling the company's first well on its prospective 1.4m acre shale gas project was halted in late 2010. At that time the Quebec government commenced an investigation into the impact and scope of the potentially significant shale gas industry in the province. This resulted in Bill 18 being enacted by the Government in June 2011 which had the effect of limiting oil and gas activities for a period up to 3 years. In the short term, while Molopo and others work with the Quebec government to establish a way to move forward, it has adopted a conservative approach and written the value of the asset down to zero. The company continues to work with the joint industry forum and the government to help establish an appropriate framework moving forward, and the company remains committed to development of this asset in the future, subject to appropriate legislation.

USA:
A 78% working interest in ~22,000 of tight oil acreage, within the emerging **Wolfcamp** oil resource area in the Permian basin of West Texas, was secured in October 2010. This working interest is subject to a 20% partner back-in right after Molopo pay-out. Over the course of FY2011 extensive 2D seismic analysis combined with regional mapping was undertaken to select well locations for the FY2012 drilling programme. Drilling of the first of 3 wells is scheduled to begin in late September.

In August 2011, Molopo acquired a further 3,077 acres (gross) contiguous with its existing land position. Molopo’s final working interest in this additional acreage will be subject to partner participation. The lease on this land is currently scheduled to expire in November 2011 unless Molopo negotiates an extension or drills two wells on the land prior to 11 November 2011. The land is highly strategic in its location with respect to Molopo’s existing acreage, and the company is evaluating the most effective way to extend its term.

Australia:
Following the company's strategic review in April 2011, Molopo decided to commence a trade sale for its **Queensland Coal Bed Methane assets**. During this process, operations have been kept to a minimum with a workover programme on 3 of the trial production wells in the Mungi field completed at the end of June 2011. The Queensland assets have a carrying value as at 30 June 2011 of $62m.

South Africa:
During the year Molopo undertook a 12 well workover programme on previous exploration boreholes. Gas was encountered in 3 wells, extending the known area of gas occurrences 4.5km west of the 11 pilot wells already producing in the Virginia Licence Area. Two new exploration holes were also drilled during the year with results from analysis of the gas shows encountered in both wells expected by the end of CY2011. These exploration and monitoring activities assist in supporting Molopo's Production Right application in the Virginia field which is expected to be granted in late CY2011. The Production Right is one of the key conditions precedent in the Gas Sales Agreement between Molopo and Novo Energy on a contract for the initial sale of 600,000 scf/d of gas to be converted to compressed natural gas (CNG) for use in vehicles.

Outlook

Commenting on the outlook for FY12, Mr Gorman noted that FY11 was a year of transformation for Molopo, involving significant changes to management and the Board, strategy and its asset base.

"We are moving steadily from being a geographically diversified 'explorer only' company to an integrated 'explorer/developer' with a North American focus," he said. "Our strategy is led by our reshaped and committed management and Board, several of whose members have many decades of top level experience in oil and gas companies."

Molopo's strong balance sheet will fund exploration and early development of our North American assets with identified growth potential and the acquisition of undervalued corporate assets. The Board will also consider a further value-accretive share buyback programme.

Mr Gorman noted that there will be opportunities to demonstrate shareholder value in the near term by monetising non-core assets.

"Molopo is committed to closing the share price valuation gap. The market currently recognises little more than Molopo's cash and the Legacy shareholding. Our goal is to ensure that, over time, full recognition is given to Molopo's active portfolio of exploration and development assets," he said. "To this end, the company has already become more actively engaged with its shareholders and the investment community. It will build further on this commitment with a dedicated leadership focus on market and shareholder engagement through a structured investor relations programme."

The full annual report is available on Molopo's website at http://www.molopo.com.au/investors/annual-reports/**.**

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Molopo Energy Limited is an ASX-listed oil and gas exploration company focused on the exploration, development and production of unconventional energy projects that include the Bakken tight oil project in Canada, a Permian Basin oil resource play in Texas, coal-bed methane projects in Australia's Bowen Basin, a shale gas project in Quebec and gas projects in South Africa.

MOLOPO
ENERGY LIMITED

ANNUAL REPORT 2011

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Molopo Energy Limited (Molopo) is an ASX-listed organisation with a diverse portfolio of oil and gas assets located in Australia, Canada, the United States of America and South Africa.

Molopo enters the 2012 financial year with a strong Board and senior leadership team, committed to creating real value for shareholders.

Molopo continues to demonstrate a proven ability to identify undervalued assets and realise significant value through a robust de-risking and monetisation process.

Molopo is well-funded and favourably positioned to pursue its plans and achieve its business development programme.

Molopo at a Glance

ENERGISED NEW BOARD AND MANAGEMENT

Molopo enters the 2012 financial year with a strong Board and leadership team comprising industry and business professionals with expertise from Australia, Canada and across the globe and with experience spanning small high-growth start-up companies through to oil and gas majors. Both the Board and leadership team are highly energised and committed to delivering shareholder value through the Company's Focused Growth Strategy, centred on the Company's core technical skills in unconventional oil and gas exploration and development.

PROVEN ABILITY TO DE-RISK AND ADD RESERVES

Independent reserves upgrades or maiden certifications in three of its five assets.

WELL FUNDED TO PURSUE GROWTH

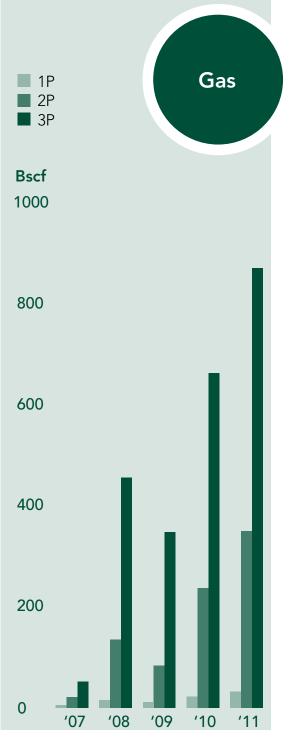
As at 31 August 2011, Molopo held ~ $130 million cash/equities, seeing it very well-funded to pursue its planned exploration and development programme, and the pursuit of new acquisitions.

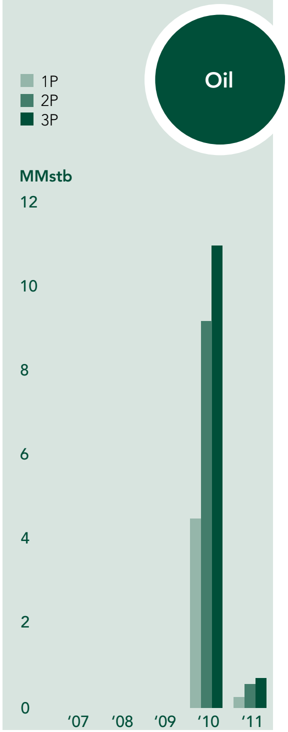
SHAREHOLDER VALUE-FOCUSED CAPITAL MANAGEMENT

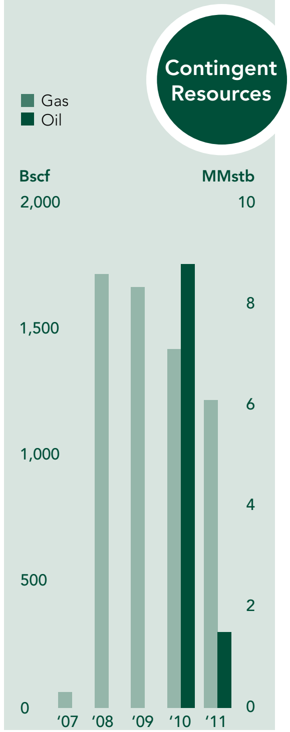
The Company initiated an on-market share buy back in May 2011 during a period of weakness in the share price, buying back and cancelling 5.6 million shares before entering into a black out period associated with the preparation of the annual financial accounts. The Board will continue to review the Company's approach to managing its funds in the best interests of shareholders.

PROVEN TRACK RECORD

Molopo continues to demonstrate its ability to find and acquire low cost entry positions which can be de-risked and monetised for a significant profit. The Spearfish tight oil asset was sold for ~A$202 million of cash and equities after ~A$64 million investment on acquisition and exploration (~50 horizontal wells drilled) during the 18 months of de-risking this asset.







The drop in oil reserves from 2010 to 2011 is a result of the sale of Spearfish.

Both the Board and leadership team are highly energised and committed to delivering shareholder value.

CLEAR FOCUSED GROWTH STRATEGY

- Deliver focused growth in shareholder value through unconventional oil and gas with an increasing North American focus
- Develop a core of producing assets
- Pursue a well-paced programme of asset acquisitions and divestments which will help fund this growth and minimise the need for equity dilution

EXPLORATION ASSET OVERVIEW

- **Bakken tight oil:** ~45,000 net acres in Western Canada
- **Wolfcamp tight oil:** ~17,000 net acres in the Permian Basin in west Texas, USA
- **Shale Gas:** ~ 1.4 million net acres in the Quebec lowlands, eastern Canada
- **Coal Seam Gas:** ~1,370 gross km^2 in Queensland, Australia
- **Biogenic gas:** ~1 million acres in South Africa

AGGRESSIVE BUSINESS DEVELOPMENT

- Tightly focused mandate
- Stringent screening
- More than 50 opportunities reviewed and assessed during April - September 2011
- Targeting 1-2 acquisitions per year

Chairman's Letter

Greg Lewin
Chairman

Dear Shareholders,

Molopo has moved through a transformational year in 2011 and emerged a focused company with a clear plan to build on its core strengths and deliver shareholder value. The year has seen many challenges from the embedding of a culture of delivery on targets, severe weather disruptions in Australia and Canada, the EGM vote for change and the return of global market instability. Nevertheless, Molopo has emerged a financially strong company with an unprecedented cash position and key core assets on which to build a great future.

During the 2011 financial year, Molopo has delivered on one of its demonstrated core strengths, namely the early identification of, and low cost entry into high value assets. The sale of the Spearfish asset was the culmination of approximately 18 months of acquisition, appraisal and development effort with over 50 wells successfully drilled and a sale for some A$202m (cash and equities) for an asset acquired for $13m and de-risked in only 18 months.

The Reserves position for the Company increased substantially with a 50-60% increase in Queensland reserves, the recognition of the first onshore proven gas reserves in South Africa and the booking of maiden reserves in the Bakken oil play.

In April, the Company achieved a redefining milestone with the launch of our go-forward "Focused Growth Strategy". This was a first for Molopo and a critical step in providing all shareholders with clarity on the objectives and intent of the organisation. The strategy will see Molopo focus initially on its oil assets in North America and later build on its substantial Quebec Shale gas position, subject to the outcome of the current government review.

The sale of the Spearfish asset was the culmination of approximately 18 months of acquisition, appraisal and development effort.

The acquisition of targeted opportunities will remain a core building block for the company with previous efforts being doubled to capture approximately two new business development opportunities each year. Divestment will continue to play a key role in both high grading the portfolio and providing an important source of funding for future growth. On average, Molopo would expect to retain for the long term roughly half the assets it acquires resulting in measured, steady portfolio growth which can be both well managed and well funded without significant dilution.

Shareholders voted for change on 15 February. The new Board of Directors and Leadership Team are fully aligned and the new Molopo is demonstrating a strong commitment to the achievement of the strategic objectives. All promises made to shareholders by the incoming Board are being delivered, with the exception of drilling in Quebec due to an industry-wide moratorium. The revised strategy set aggressive targets for operational activity in the second half of 2011 and the Company is on track to meet all of these with the recent commencement of drilling and seismic activities in the Bakken play and the imminent start of drilling in the Wolfcamp asset.

The introduction of a drilling and fraccing moratorium in Quebec has regrettably prevented the Company from delivering on its commitment to test this exciting play.

Molopo remains committed to Quebec and is convinced its position offers significant conventional and unconventional gas potential. Molopo is working with the industry association and government to ensure that consistent and appropriate legislation and standards are established that meet the needs of government, community and industry stakeholders to enable this potential to be unlocked.

As part of its efforts to focus activity, Molopo views its Queensland CBM assets as being at the point where monetisation of these assets in the near term is considered to be in the best interests of shareholders. Large scale LNG development is the domain of large organisations which are vertically integrated and have the balance sheet size and strength to fund the negative cash flow demands of early project development without dilution of shareholder value. Molopo has commenced a sale process to test the market appetite for the assets in their current form. A decision to sell will ultimately depend on the price indications received compared to the merits of further de-risking.

Molopo is strongly funded and well placed to execute its 2011 and potential 2012 work programmes.

Molopo is strongly funded and well placed to execute its 2011 and potential 2012 work programmes. A dedicated capital management focus has seen us announce and execute a share buyback as a means of providing long term shareholders with an increased share of future returns. Future asset divestments will provide Molopo with further opportunities to enhance and manage shareholder returns.

I am also pleased to report that the new management structure is in place: we have moved from a geographic structure to one organised along functional lines. We have retained the core technical expertise which is so important in unlocking the value in these unconventional oil and gas plays, and I am delighted that the leadership team is now fully in place to lead the Company forward on our Focused Growth Strategy. I would like to take this opportunity to thank all the staff and the leadership team for their commitment and hard work over the past year, and I know they share my drive and enthusiasm for the exciting and challenging year ahead.

As we move through 2012 I am confident that Molopo is well-positioned to achieve its aims of building a strong production and revenue base over the next five years while continuing to identify significant new value opportunities from which to further build the Company. This can be achieved with a focus on careful capital management. Molopo's assets are located in highly attractive areas for the North American oil and gas industry with significant value appreciation already occurring across land values. 2012 will see the Company demonstrate the inherent value in both its Bakken and Wolfcamp plays, explore and capture other "on strategy" growth options and consider the timing and potential benefits of a North American listing.

The year ahead promises to be a very challenging and rewarding one, and your Board is committed to unlocking the value within the Company for the benefit of all shareholders. We believe a market recognition of the intrinsic value of Molopo's assets should result in a significant share price appreciation as the year proceeds and we continue to deliver on commitments. I thank you for your continuing support.

Greg Lewin
Chairman
Molopo Energy Limited

Chief Executive Officer's Report

Ian Gorman
Chief Executive Officer

Following an EGM on 15 February 2011, Molopo now has a new Board of Directors to drive an increased focus on creating shareholder value. The new Board undertook a comprehensive review of the Company's strategy and portfolio led by our new CEO Ian Gorman. A new Focused Growth Strategy was announced to the market in April 2011 which encompasses the following elements:

FOCUS

- Monetise de-risked assets as appropriate to fund growth and focus company resources
- New assets will leverage Molopo's core strengths geographically and technically

GROWTH

- Develop a growing core of producing oil and gas assets to establish a robust revenue platform for the future
- Aggressively pursue acquisition of new complementary assets to drive growth in shareholder value

VALUE REALISATION

- Strong performance underpinned by delivery of clearly communicated targets
- Active shareholder engagement
- Capital management with focus on long term shareholder value creation

The key tactical implications of the new strategy over the 2011/2012 period are:

- increased focus on North America;
- portfolio rationalisation across the Company's gas projects;
- increased business development activity; and
- capital management focus – on–market share buyback underway.

The Company has been reorganised to operate on a fully functional basis, with a distributed leadership team across Calgary and Melbourne. Each member of the leadership team has global responsibilities within their functional area. As at the end of August, the Company had approximately 35 permanent employees.

RESERVES

During the financial year 2011, the Company announced reserves increases across three of its assets. In Queensland, 2P and 3P reserves increased by 57% and 37% respectively. The Company announced the first independently certified proved gas reserves onshore in South Africa, and in the Bakken, Canada, reserves increases were announced, including the first independently certified 3P reserves for this asset.

As at 30 June 2011 the total Company reserves position was:

	Net Reserves				
Gas - Bscf	1P	2P	3P	Contingent Resource[1]	Prospective Resource
Queensland[2]	23.0	328.0	789.0	568.0	-
South Africa[3]	9.2	23.0	83.7	652.0	-
Quebec[4]	-	-	-	-	5,500.0
Total Gas	**32.2**	**351.0**	**872.7**	**1,220.0**	**5,500.0**
Oil - MMstb					
Bakken[5]	0.3	0.6	0.7	1.5	-
Wolfcamp	-	-	-	-	-
Total Oil	**0.3**	**0.6**	**0.7**	**1.5**	**-**
Combined reserves MMBoe[6]					
Total BOE	**5.7**	**59.1**	**146.2**	**204.8**	**916.7**

Notes:

1. *Contingent resources at 2C (best estimate).*
2. *Reserves independently certified by Tim Hower of MHA Petroleum Consultants LLC, Denver, USA who has consented to the inclusion of the form and content of the reserves and resources information.*
3. *Reserves independently certified by Tim Hower of MHA Petroleum Consultants LLC, Denver, USA who has consented to the inclusion of the form and content of the reserves and resources information. Gross certified reserves have been reduced by 20%, representing BEE participation and government back in rights.*
4. *Internally estimated prospective resources (Ian Gorman). These resources were estimated using the Petroleum Resource Management System.*
5. *Reserves independently certified by Terry Aarsby of GLJ Petroleum Consultants Calgary Canada who has consented to the inclusion of the form and content of the reserves and resources information.*
6. *Gas Reserves (Bscf) convert to Barrels of Oil Equivalent (MMBoe) at 6:1.*

PRODUCTION

Total net production for the financial year was 267,367 barrels of oil equivalent, representing a 70% increase on FY2010 production figures. Oil production in Q3 and Q4 dropped off sharply as a result of the sale of the Spearfish asset and severe flooding in the Company's Bakken acreage. Adverse weather in Queensland impacted production from the trial production wells in the Mungi/Harcourt area.

	Q1		Q2		Q3		Q4		TOTAL	
Molopo Share of Sales Volume (boe)	FY11	% of Total	FY11	% of Total	FY11	% of Total	FY11	% of Total	FY11	% of Total
Oil	52,111	67	85,514	75	38,778	65	0	0	176,403	66
Gas	25,778	33	28,130	25	20,739	35	16,317	100	90,964	34
Total (boe)	**77,889**	**100**	**113,644**	**100**	**59,517**	**100**	**16,317**	**100**	**267,367**	**100**

CANADA

- The major operational focus in Canada during FY2011 was the appraisal and development of the Spearfish asset in Manitoba, with the drilling of over 30 wells between July and December 2010
- Independently audited reserves increases were achieved during the year
- The Spearfish project was sold to Legacy Oil + Gas Inc in March 2011 for 6,180,000 Legacy shares and C$97.5 million (A$98.0 million) in cash (of which C$3.6 million (A$3.6 million) will be settled with the final statement of adjustments in September 2011)
- The drilling of 6 wells in the Bakken acreage in Saskatchewan facilitated identification of six discrete play areas within Molopo's acreage and has helped select drilling locations for the FY2012 programme
- Molopo's 1.4 million acre shale gas acreage in the Quebec lowlands is being held at minimal cost while Molopo and the joint industry forum, QOGA, work with the Quebec Government to establish a successful framework for the development of shale gas resources in the province

Spearfish Unconventional Oil

Williston Basin, Manitoba average 79% interest prior to sale, sold March 2011

Molopo acquired operatorship and ~79% working interest in the Spearfish asset in September 2009, with production at the time of 76 bpd (net to Molopo) and 2P reserves of ~0.5 MMstb oil. Within 16 months, Molopo had planned and executed a successful drilling campaign which saw two reserves increases, taking Molopo's share of 2P reserves to 12.5 MMstb (net) and peak oil production to ~1,010 bpd (net). The total cost to Molopo in acquiring and developing this asset was ~ C$63.7 million (A$64.0 million); in March 2011 the asset was sold to Legacy + Gas Inc ("Legacy") for 6,180,000 Legacy shares and C$97.5 million (A$98.0 million) in cash (of which C$3.6 million (A$3.6 million) will be settled with the final statement of adjustments in September 2011).

The Legacy shares were subject to a 180 day escrow period and had a closing value of C$72.4 million, C$11.71 per share (A$69.9 million, A$11.31 per share) on 30 June 2011. Prior to the sale of the Spearfish asset, Molopo achieved working interests in the range of 65-100% in 40,944 gross (35,749 net) acres. Its total acreage position within the play stood at 64 gross sections.

Following this highly successful sale, which sees Molopo well-funded to develop the other assets in its portfolio, the previously contemplated Initial Public Offering of Molopo's Canadian subsidiary was withdrawn.

Bakken Unconventional Oil
Williston Basin, Saskatchewan
100% interest

Molopo holds a 100% working interest in just over 70 sections of land (~45,000 acres) in the Bakken tight oil play in south east Saskatchewan. Molopo has the option to earn an additional 6.25 sections of land (4,000 acres) by drilling a second well at Torquay.

The drilling of six wells in early 2010 was required in order to earn the acreage, and extend the term of the leases until at least 2015. This has provided Molopo with the opportunity to assess current drilling results and incorporate seismic data into its interpretation of the play, and provided input for an initial reserves certification by GLJ Petroleum consultants.

For the financial year, total Bakken production averaged 30 bpd however production was severely impacted by well shut-ins for 12 to 15 weeks due to exceptional flooding in the area. Wells will be returned to production as the local infrastructure is re-built.

Molopo has commenced a 3D seismic survey in the Estevan area that will cover approximately 220 square kilometres, which will be used define the limits of the Bakken reservoir. The 3D interpretation is expected to be completed in December 2011.

Recent industry activity has centred on the Taylorton and Hoffer areas near the town of Estevan. Both areas have yielded favourable results. Molopo has 6-10 gross wells planned for the remainder of CY2011, with all but one of the wells planned for the Taylorton/Estevan area. The remaining well is planned for the Torquay area (which is adjacent to Hoffer). A second Torquay well could be drilled to earn the additional lands.

The spring thaw and extensive flooding in the Estevan area delayed field operations during the first half of CY2011.

Quebec
Shale Gas
Canada 100% interest

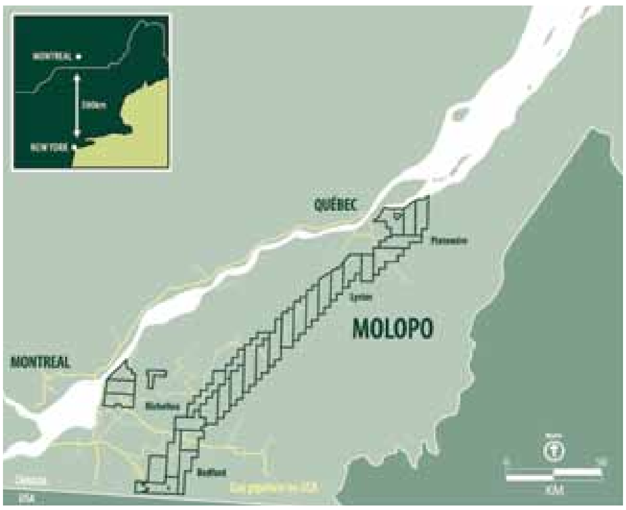
Molopo now holds approximately 1.4 million acres of exploration acreage in the province of Quebec following the relinquishment during the year of approximately 0.7 million acres of non prospective acreage.

Activities were carried out during CY2010 in preparation for the drilling of Molopo's first planned well in the Richelieu area (St Marc sur Richelieu-1). Molopo undertook an analysis of seismic and well data in the Bedford area to assist in the design of a 70km 2D seismic survey proposed for this area and submitted a survey proposal for permitting and public consultation. Molopo secured approval for the drilling application from the Quebec Agricultural Commission ("CPTAQ") in November 2010 and was awaiting approval from the Quebec Ministry of Natural Resources.

However, in late CY2010 the Quebec Government commenced a series of local consultation and industry hearings into the impact and scope of the potentially significant shale gas industry on Quebec. As a consequence, there was limited activity in the subsequent months, pending the release of the hearing recommendations in February 2011.

With effect from 13 June 2011, the Quebec Government enacted Bill 18 "An act to limit oil and gas activities". Bill 18 revoked certain mining rights in the St Lawrence River area which Ministère des Ressources Naturelles et de la Faune has confirmed will impact only one of its permits containing approximately 38,500 acres. Bill 18 further provides that work obligations are waived from 13 June 2011 until such date as determined by the Minister; however such date shall not be later than 13 June 2014 (the "Exemption Period"). The term of the licences shall be suspended during the Exemption Period and the expiry date extended correspondingly.

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 Quebec Government, through the joint industry forum, QOGA, to help establish a successful framework for the industry moving forward.



UNITED STATES

- Secured a new ~ 17,000 acre position (net) in an emerging resource play targeting the Wolfcamp formation in the Permian Basin in West Texas
- 2D seismic acquired and reprocessed over the acreage and combined with regional mapping to select well locations for the FY2012 drilling programme
- Subsequent to the end of the financial year, Molopo acquired a further 3,077 gross acres contiguous with its existing land position

Wolfcamp Unconventional Oil

Permian Basin, Texas, 78% initially, excluding partner back-in rights after Molopo pay-out

In October 2010, Molopo acquired a land position within the emerging Wolfcamp oil resource play in the prolific Permian basin of West Texas. The initial lease term is three years with minimal work requirements in the first 12 months. As at 30 June 2011, Molopo held 16,832 net acres (21,451 gross acres) in the Wolfcamp play.

Molopo has secured a 22% partner in this acreage, a private E&P company that produces oil and gas both offshore Gulf of Mexico and onshore Gulf Coast of Texas and Louisiana, and brings to the project additional technical and financial capabilities.

Molopo is targeting the Wolfcamp formation which is expected to be at a vertical depth range of 1,500m to 2,400m on its acreage with total gross thickness anticipated to be ~400m. There are also other prospective targets in shallower and deeper intervals on the acreage block, offering potential for additional hydrocarbon reserves and production potential.

Molopo has acquired, processed and interpreted over one hundred miles of 2D seismic across its acreage position. Well locations have been selected for the first exploration wells and permitting and rig-selection commenced in July 2011. A proprietary 3D seismic survey will be acquired to assist in the development of the 2012 exploration drilling programme. Additional land leasing efforts are ongoing.

The objective of Molopo's exploration during CY2011 is to production test three wells, with results expected in first quarter of CY2012.

Subsequent to the end of the reporting period, Molopo acquired an additional 3,077 acres (gross) contiguous with its existing land position. Molopo's final working interest in this additional acreage will be subject to partner participation. The lease on this land is currently scheduled to expire in November 2011 unless Molopo negotiates an extension or drills two wells on the land prior to 11 November 2011. The land is highly strategic in its location with respect to Molopo's existing acreage, and the Company is evaluating the most effective way to extend its term.

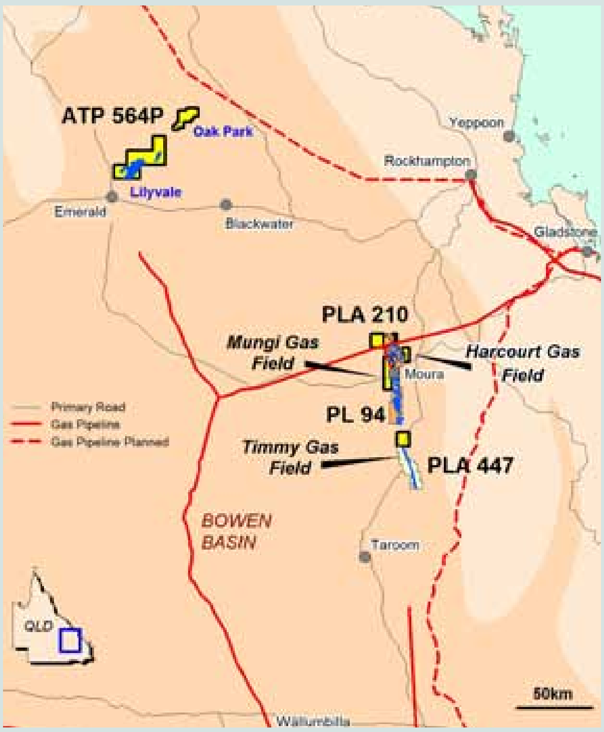
AUSTRALIA

Queensland

- Molopo assumed operatorship of the Mungi gas field and increased its interest to 67.1% in ATP564P/PL94 sublease and 62.9% in ATP602P/PLA447
- Reserves upgrades were achieved for Molopo's Queensland acreage
- Production levels were adversely impacted by the unprecedented flooding events in southern Queensland
- The Moura power project progressed, with tenderers shortlisted for EPC and O&M contracts
- Following a strategic review, Molopo announced in April 2011 its intention to monetise its Queensland assets and Lazard has been appointed as adviser

In July 2010, Lowell Petroleum N.L., a wholly owned subsidiary of Molopo, assumed full operatorship in the Mungi gas field (PL94 North sublease) and the ATP564P and ATP602P permits, following the completion of the purchase of a portion of Anglo Coal (Dawson) Limited's ("Anglo") interest in these tenements. Molopo increased its interest in ATP564P/PL94 North sublease from 50% to 67.1% and in ATP602P/PLA447 from 50% to 62.9% following completion of all transfers.

Molopo also announced reserves upgrades as a result of its joint venture exploration drilling, sole risk well production and technical activities: maiden reserves certification was achieved for ATP602P (Timmy) as well as an update of the reserves for ATP564P (Harcourt).



Mungi Gas Field

PL94 Sublease,
67.1% interest

During the financial year Lowell Petroleum N.L., a wholly owned subsidiary of Molopo, replaced Anglo as operator under the ATP564P and ATP602P Joint Operating Agreements and assumed full operatorship of the Mungi gas field.

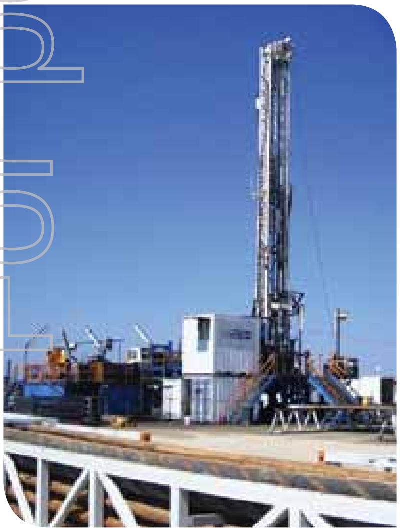
De-watering and gas production testing operations continued in multi-lateral trial development wells Mungi 20V, Mungi 20Va, Mungi 21 and Mungi 23, which are connected to the existing Mungi gas field gathering network. During the latter part of CY2010 operations were significantly impacted by unprecedented flooding and wet weather in southern Queensland and while it was possible to maintain production, well intervention activities were dramatically curtailed.

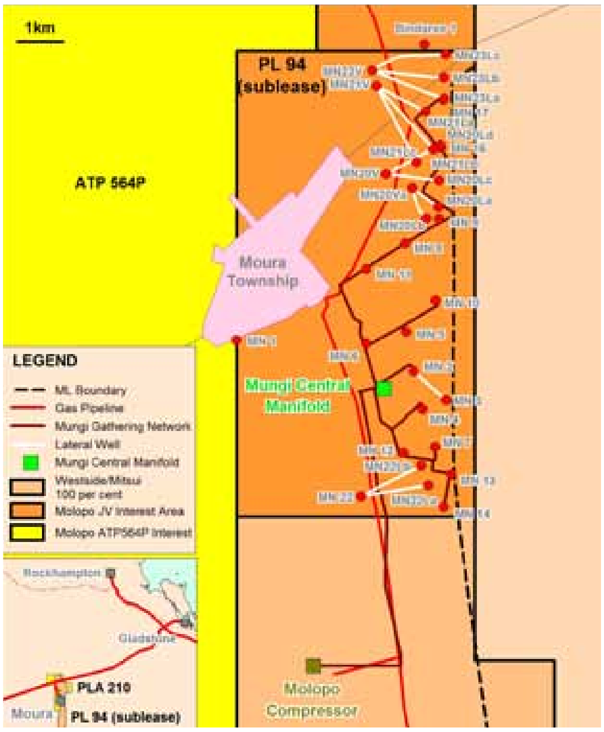
Molopo's share of gas sales for the financial year was 529 TJ (2010: 447 TJ), generating gas sales revenue of $1,460,645 (2010: $1,170,014). Sales growth from the previous year was 18.34% and was boosted by contributions from three multi-lateral well systems, Mungi 20V, Mungi 20Va and Mungi 23.

Development approval for Molopo's proposed power station near Moura was granted in November 2010, with the project planned to be built in two stages with a nominal capacity of 30MW each. Tenders for engineering, procurement and construction (EPC) contractors and operations and maintenance (O&M) contractors for the Moura Power Station project have been received and were evaluated in FY2011.

In January 2011, Molopo received an offer to connect to Ergon Energy's network and preliminary construction and connection agreements have been drafted.

Further development of the power project will be dependent upon final evaluation of monetisation options for the Queensland assets in late CY2011.





ATP564P/ PLA210 - Harcourt Gas Field

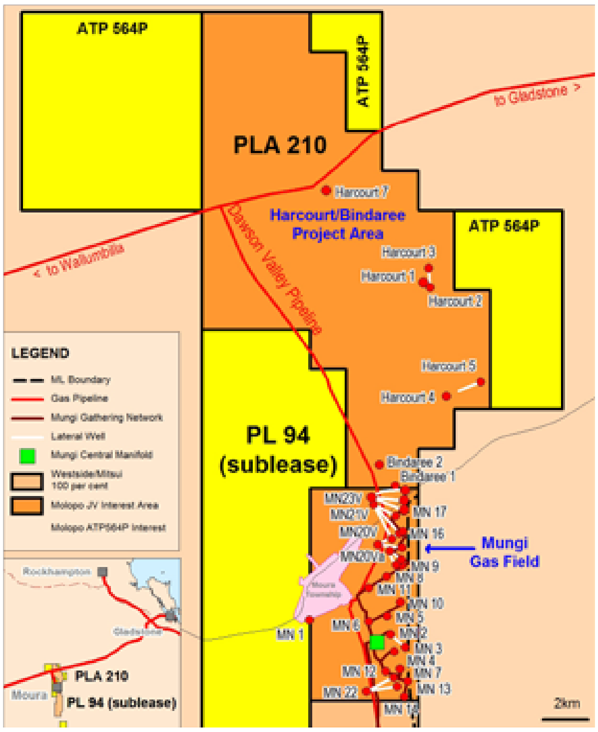
67.1% interest

Molopo's activities during the year focused on the expanded Harcourt area joint venture exploration programme. This consisted of the re-entry and deepening of existing hole, Harcourt 4, to assess additional coal seams and the drilling of four new cored exploration holes. This activity was aimed at increasing the existing reserves base to support future applications for new petroleum leases over the Harcourt/Mungi West areas.

Harcourt 4 was cored to a final depth of 649m, wireline logged and permeability tested, prior to being suspended. The first of four planned new cored exploration holes (Harcourt 7) was completed. Wet weather severely delayed drilling progress, with the hole cored to a final total depth of 909m, wireline logged and permeability tested, prior to being plugged and abandoned. The drilling rig was released in late November 2010 due to persistent wet weather conditions.

Drilling of the remaining three exploration holes Harcourt 6, Harcourt 10 and Harcourt 11 planned for the Harcourt area was reviewed by the joint venture and deferred, given adverse weather and impassable ground conditions.

Belvedere Coal Management Pty Ltd ("BCM") is a coal company with Mining Lease Applications and PLA's overlapping ATP564P and PLA210. Co-development agreement negotiations between the joint venture and BCM focused on agreement of key principles for a Co-development Agreement and possible information sharing mechanisms.



ATP564P/ PLA296 – Oak Park

67.1% interest

In August 2011 Molopo and Mitsui E&P Australia agreed to withdraw the Oak Park PLA (PLA296), which had been lodged with the Queensland Government in September 2008 by Anglo. The underlying exploration tenement (ATP564P) has been retained.

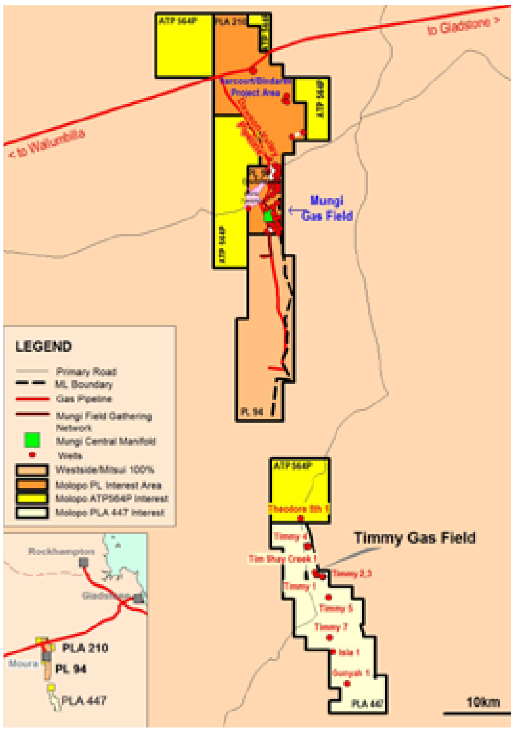
Greater Timmy Area –

ATP602P/PLA447 62.9% interest, and Southern ATP564P 67.1% interest

The exploration and appraisal campaign in the Timmy and southern ATP564P areas resulted in the completion of drilling in four of five planned cored exploration holes. Timmy 4, Timmy 5, Timmy 7 and Theodore South 01, located in southern ATP564P and ATP602P, were drilled, wireline logged and permeability tested. The final hole in the current exploration programme, Timmy 6, was reviewed by the joint venture and deferred due to continuing access restrictions caused by prolonged wet weather conditions, and the drilling rig was released in late November 2010.

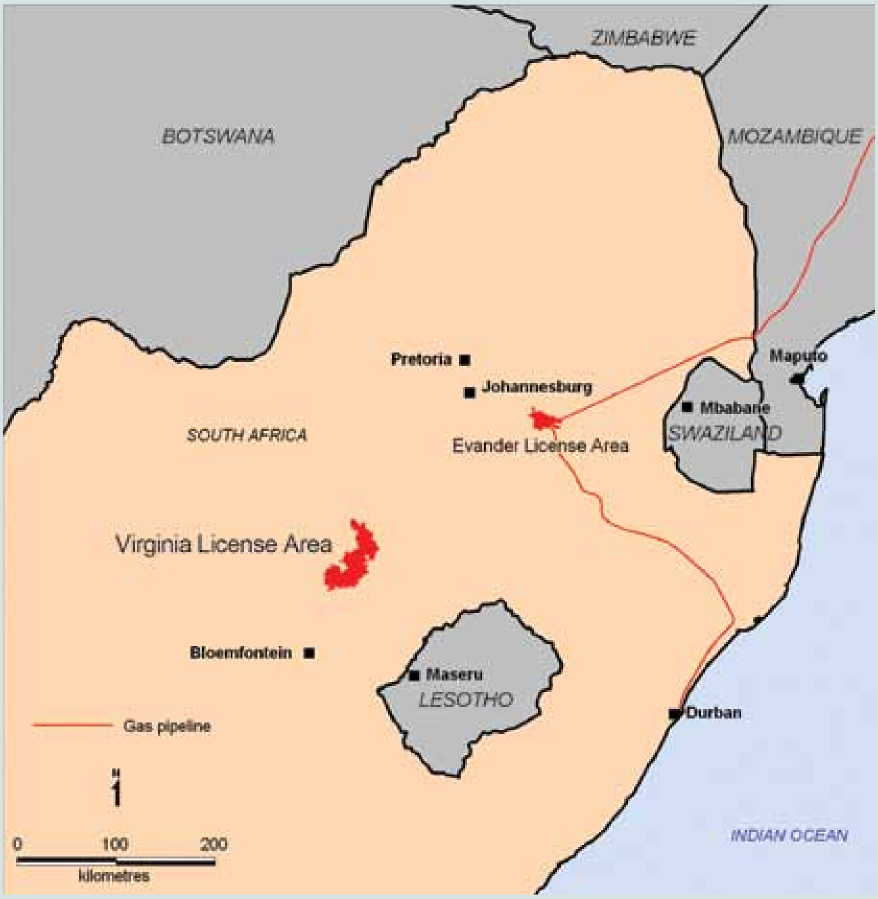
The results obtained from this drilling campaign provided substantial additional information to support the preparation and lodgement of a new PLA (Production License Application) over the Greater Timmy Area.

In December 2010 Molopo submitted the Timmy PLA with the Queensland Government covering an area of approximately 214 km^2 within ATP602P. The PLA has a term of 30 years and proposes field development based on a series of surface to inseam wells. The PLA (subsequently designated PLA447), overlaps coal exploration tenements held by coal companies, Anglo Coal (Theodore South) Pty Ltd / Mitsui Moura Investment Pty Ltd joint venture and Cattle Creek Coal Pty Ltd. Molopo has progressed co-development arrangement discussions with these parties.



SOUTH AFRICA

- Molopo achieved the first proven onshore gas reserves in South Africa
- Total production is ~ 1.2 MMcfd from 11 pilot production wells in the Virginia area
- A two well exploration programme was completed with gas shows found on both wells
- A 12 well intervention/workover programme on previous exploration boreholes encountered gas shows in three wells, extending known gas occurrences 4.5km west of pilot wells



Virginia Gas Field

Free State – 100%, reducing to 80% after Black Economic Empowerment commitments and Government back-in rights

Molopo's current interest in this project is 100%, however this is expected to reduce to 80% after the Black Economic Empowerment commitments and the South African Government's back-in participating interest obligation are met in accordance with the terms of the expected Production Right.

Exploration work and production monitoring activities continued throughout the year in the Virginia gas field in support of Molopo's Production Right application, which was submitted in June 2010. The Production Right is expected to be granted during the latter part of CY2011.

Molopo has a gas sales agreement with Novo Energy (Pty) Ltd ("Novo") for the initial sale of approximately 600,000 cubic feet per day (cf/d) of gas as CNG (Compressed Natural Gas) for use in vehicles. Novo will also have first right of refusal to purchase additional gas up to 8,200,000 cf/d. Work on the infrastructure required to fulfil the terms of this agreement from both parties will commence upon receipt of the Production Right.

Molopo received an updated reserves certification conducted by MHA Petroleum Consultants LLC for the Virginia Gas Field, which certified Molopo's first proved gas reserves for the region (11.5 Bcf 1P on a 100% basis).

A well work over programme was undertaken on 12 wells in the latter part of CY2010 including the deepening of an earlier exploration well HDR01. Well HDR01 was deepened a further 51m and encountered fractures which flowed gas. This well was flowing 230,000 cf/d at the end of June 2011. Gas shows were seen in three other wells including well BN56120A where gas shows were seen in the Karoo Super Group (secondary target) overlying the Archean Fractured Basement primary target. This well is 4.5km west of HDR01 and significantly extends the gas fairway.

Two new exploration holes, HPAL01 and HZON01, were drilled during the year and encountered gas shows. HZON01 encountered gas shows in the Karoo Super Group and Archean Fractured Basement interval. Karoo Super Group coals were cored and samples collected for gas desorption and adsorption measurements. Final results are expected in late CY2011. Well HZON01 is currently being production tested and was flowing 30,000 cf/d at the end of June 2011. Preparations are underway to stimulate well HPAL01.

At the end of the financial year, gas flow rates for 11 pilot wells in the Virginia production pilot averaged 1.2 MMcf/d. This was an increase of approximately 0.2 MMcf/d from 2010 due to the successful deepening of HDR01.

Evander Gas Field

Mpumulunga 100%

Exploration activities continued during the year with the processing and interpretation of the twelve line kilometres of 2D seismic data acquired in 2010. This data is being integrated with regional geological and petroleum engineering data to assist future exploration activities.

Production from all six monitored Evander boreholes was approximately 0.3 MMcf/d at the end of June 2011.

DIVESTMENTS

On 2 February 2011 Molopo announced the sale of its Spearfish oil assets to Legacy Oil + Gas Inc ("Legacy") for 6,180,000 Legacy shares and A$98.0 million in cash (of which A$3.6 million will be settled with the final statement of adjustment in September 2011). On 1 March 2011 Molopo completed the sale. The Legacy shares were subject to a 180 day escrow period and had a closing value of A$69.9 million (A$11.31 per share) on 30 June 2011.

Molopo Energy Ltd disposed of all shares held in Molopo Energy India Private Ltd (India) in April 2011.

Ian Gorman

Ian Gorman, Chief Executive Officer
Molopo Energy Limited

Directors and Senior Management

Chairman, Non-Executive Director

BE (Chem), MBA, FREng, FIChemE

Mr Lewin's career spans 34 years with Royal Dutch Shell, including time in The Hague. He was President of the Institution of Chemical Engineers from 2006 to 2007. In 2010 he was admitted as a Fellow of the Royal Academy of Engineering. He is a Board member of Amber Holdings Limited ("New Alinta") and an Executive Director of Sapphire Global Pty Ltd.

Chief Executive Officer and Executive Director

BA (Hons), MA, Grad Dip (Bus Mgt)

Mr Gorman has over 30 years'experience in oil, gas and coalbed methane, eight with Shell International in south east Asia and 20 with BHP Billiton Ltd in a number of petroleum engineering and management roles. From 2002 to 2007 Mr Gorman was Global Technical Leader for BHP Billiton's worldwide CBM activities. He has been with Molopo since 2006.

Chief Financial Officer

BBus (Accounting), CPA

Mr Arrowsmith's career spans more than 30 years of local and international experience. He was most recently CFO of Willmot Forests Ltd and prior to this was CFO for Adecco Corporation's Asia Pacific region with an annual turnover in excess of $800m. Stephen holds a Bachelor of Business.

Vice President, Land and Business Development

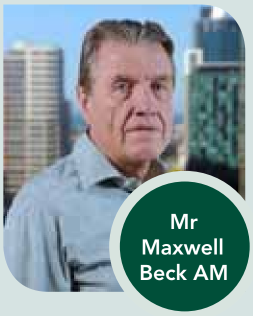
BBA

Mr House has over 20 years of experience in land acquisitions and divestments and marketing of crude, NGLs and natural gas. His previous role was Vice President, Land and Marketing with Orleans Energy.

Company Secretary

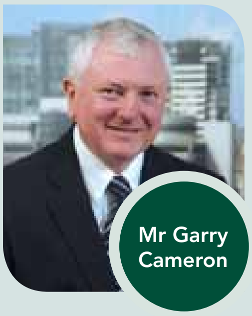
BComm/LLB (Hons), MAppFin

Ms Huberman's experience includes one year as Finance and Governance Manager at Molopo, preceded by a number of years as a lawyer specialising in corporate and commercial law. She has been admitted to practice as a solicitor and barrister in the Supreme Court of Victoria and the High Court of Australia. She holds a Bachelor of Commerce and Laws (Honours) from Monash University as well as a Masters in Applied Finance.



Non-Executive Director

Mr Beck was the founder of Becton Property Group, a highly respected and successful property development, construction and investment company. In June 2006 he was awarded The Member of the Order of Australia (AM) medal for his services to the construction and property development industries, and to the community through fund raising and executive roles in a range of organisations and charities. In March 2009, the Victorian Premier appointed him Chair of the Victorian Bushfire Advisory Reconstruction Board for the Black Saturday Bushfires.



Non-Executive Director

PSM, BBus (A/c), BEco (Hons), MEco, FAICD, FCPA

Mr Cameron currently holds non-executive directorships with various companies, including ANZ Specialised Asset Management Ltd, ANZ Business Equity Fund Ltd, AHS Hospitality Ltd and Heemskirk Consolidated Limited. He was recognised in 1992 on the Australia Day Honours list for his contribution to finance and telecommunications, and is a director of Richmond Football Club.

Alternate Director to Maxwell Beck

Mr Ross currently manages the non-property investments for Beck Corporation Pty Ltd. His background is in commodity trading, having worked with Cargill in Australia and Japan covering both soft commodities, and metals and minerals and prior to that with Rio Tinto Minerals.

Non-Executive Director

BSc (Petroleum Engineering)

Mr Straub possesses over 32 years' experience across Canadian and global oil and gas ventures, and recently retired as President - Shell Canada Limited and Canada Country Chair - Royal Dutch Shell. While with Shell he gained broad exploration and production experience holding positions in key technical functions including drilling, production and HSE, as well as critical business functions such as marketing, JVs and business development.

Head of Strategy, Investor Relations and Human Resources

BSc (Hons) Physics, PhD Physics

Dr Hughes has 20 years' experience with Shell, most recently as Head of Planning and Economics for Shell's upstream business in the Middle East. Joanna brings a wealth of relevant, international experience in the industry. The creation of this role reflects Molopo's commitment to delivering on its strategy, and communicating effectively with shareholders and other key stakeholders.

Vice President, Exploration

BSc (Geology)

Mr McDonald brings to the role 16 years' experience in exploration geology, predominantly in unconventional oil and gas resources in Western Canada. In his last role as Vice President, Exploration (and co-founder) of Black Mountain Energy he was responsible for growth in oil production to over 2000 boepd (77% oil), and 2P reserves growth to ~ 10 MMBOE.

Vice President, Engineering

BSEng, PEng

Mr Schoenfeld has more than 18 years of engineering experience. During 2010 he was part of a team that managed Molopo's Spearfish asset in Manitoba (prior to its sale early in 2011) during which time he was directly responsible for the drilling, production and reserve growth for the Spearfish exploration programme.

Chief Commercial Officer

BEng (Chem.Eng, Hons), MBA, CPA

Mr Sotelo has 20 years' experience in the energy and resources sectors in various capacities including investment banking mergers and acquisitions, project finance and capital raisings, corporate advisory and corporate finance.
He holds an MBA and an undergraduate degree in chemical engineering with first class honours. He is also a Fellow of the Institution of Chemical Engineers and a CPA. He is a member of the Australian Society of CPAs and the Australian Institute of Company Directors.

Molopo Exploration Results
1 July 2010 to 30 June 2011

WELL NAME	WELL TYPE	PROJECT AREA	LOCATION	WORKING INTEREST	STATUS
Canada - Manitoba					
Molopo Coulter Hz 14-17-1-27W1	Horizontal Oil Exploration	Spearfish	Manitoba, Canada	75.00%	Oil Producer
Molopo Coulter Hz 6-17-1-27W1	Horizontal Oil Exploration	Spearfish	Manitoba, Canada	65.00%	Pending[1]
Molopo Pierson Prov Hz 8-22-2-29W1	Horizontal Oil Development	Spearfish	Manitoba, Canada	75.00%	Oil Producer
Molopo Pierson Prov Hz 16-32-1-29W1	Horizontal Oil Exploration	Spearfish	Manitoba, Canada	75.00%	Oil Producer
Molopo Coulter Hz 7-19-1-27W1	Horizontal Oil Exploration	Spearfish	Manitoba, Canada	75.00%	Oil Producer
Molopo Pierson Hz 8-25-1-28W1	Horizontal Oil Exploration	Spearfish	Manitoba, Canada	75.00%	Oil Producer
Molopo Coulter 4-34-001-27W1	Vertical Oil Exploration	Spearfish	Manitoba, Canada	75.00%	Oil Producer
Molopo Coulter 1-20-1-27W1	Vertical Oil Development	Spearfish	Manitoba, Canada	75.00%	Oil Producer
Molopo S. Pierson Hz 16-29-1-28W1	Horizontal Oil Development	Spearfish	Manitoba, Canada	75.00%	Oil Producer
Molopo Pierson Hz 7-26-1-28W1	Horizontal Oil Development	Spearfish	Manitoba, Canada	75.00%	Oil Producer
Molopo Pierson Prov Hz 5-32-1-28W1	Horizontal Oil Development	Spearfish	Manitoba, Canada	75.00%	Oil Producer
Molopo Pierson Hz 2-30-2-28W1	Horizontal Oil Development	Spearfish	Manitoba, Canada	75.00%	Oil Producer
Molopo Coulter Hz 4-33-1-27W1	Horizontal Oil Development	Spearfish	Manitoba, Canada	75.00%	Oil Producer
Molopo Pierson Hz 15-30-1-28W1	Horizontal Oil Development	Spearfish	Manitoba, Canada	90.00%	Oil Producer
Molopo Pierson Hz 2-30-1-28W1	Horizontal Oil Development	Spearfish	Manitoba, Canada	75.00%	Oil Producer
Molopo Pierson Prov Hz 9-22-2-29W1	Horizontal Oil Development	Spearfish	Manitoba, Canada	75.00%	Oil Producer
Molopo Coulter Prov Hz 16-29-1-27W1	Horizontal Oil Development	Spearfish	Manitoba, Canada	75.00%	Oil Producer
Molopo Pierson Prov Hz 8-2-2-29W1	Horizontal Oil Development	Spearfish	Manitoba, Canada	75.00%	Pending[1]
Molopo Pierson Hz 1-35-001-28W1	Horizontal Oil Development	Spearfish	Manitoba, Canada	75.00%	Oil Producer
Molopo Pierson Hz 1-26-2-29W1	Horizontal Oil Development	Spearfish	Manitoba, Canada	75.00%	Oil Producer
Molopo Pierson Hz 16-22-1-28W1	Horizontal Oil Development	Spearfish	Manitoba, Canada	100.00%	Oil Producer
Molopo Pierson Hz 9-13-2-29W1	Horizontal Oil Development	Spearfish	Manitoba, Canada	75.00%	Oil Producer
Molopo Pierson Hz 1-5-2-28W1	Horizontal Oil Development	Spearfish	Manitoba, Canada	65.00%	Oil Producer
Molopo Pierson Hz 1-27-2-29W1	Horizontal Oil Exploration	Spearfish	Manitoba, Canada	75.00%	Oil Producer
Molopo Pierson Hz 1-24-1-28W1	Horizontal Oil Development	Spearfish	Manitoba, Canada	75.00%	Oil Producer
Molopo Pierson Hz 1-35-2-29W1	Horizontal Oil Development	Spearfish	Manitoba, Canada	75.00%	Oil Producer
Molopo Pierson Hz 4-4-2-28W1	Horizontal Oil Development	Spearfish	Manitoba, Canada	75.00%	Oil Producer
Molopo Pierson Hz 3-26-2-29W1	Horizontal Oil Development	Spearfish	Manitoba, Canada	75.00%	Pending
Molopo Pierson Hz 10-32-1-28w1	Horizontal Oil Development	Spearfish	Manitoba, Canada	75.00%	Oil Producer
Molopo Coulter Hz 10-19-1-27W1	Horizontal Oil Development	Spearfish	Manitoba, Canada	90.00%	Pending
Molopo Pierson Hz 16-28-2-29W1	Horizontal Oil Exploration	Spearfish	Manitoba, Canada	75.00%	Pending
Molopo Pierson Prov Hz 13-6-2-29W1	Horizontal Oil Development	Spearfish	Manitoba, Canada	75.00%	Pending
Molopo Pierson Hz 4-28-2-29W1	Horizontal Oil Exploration	Spearfish	Manitoba, Canada	75.00%	Pending
Molopo Pierson Prov Hz 9-34-2-29W1	Horizontal Oil Exploration	Spearfish	Manitoba, Canada	75.00%	Pending
Molopo Pierson Hz 3-2-2-28W1	Horizontal Oil Exploration	Spearfish	Manitoba, Canada	75.00%	Pending
Molopo Pierson 9-32-1-28W1	Vertical Oil Development	Spearfish	Manitoba, Canada	100.00%	Water Injection Well
South Africa - Free State					
HPAL01	Vertical Gas Exploration	Virginia	Free State, South Africa	100%	Pending[2]
HZON01	Vertical Gas Exploration	Virginia	Free State, South Africa	100%	Successful Gas Discovery
Australia - Queensland					
HR04R	Vertical CSG Exploration	Harcourt	Queensland, Australia	67.12	Successful CBM Exploration Well[3]
TM04	Vertical CSG Exploration	Timmy	Queensland, Australia	62.88	Successful CBM Exploration Well[3]
HR07	Vertical CSG Exploration	Harcourt	Queensland, Australia	67.12	Successful CBM Exploration Well[3]
TM05	Vertical CSG Exploration	Timmy	Queensland, Australia	62.88	Pending[4]
TM07	Vertical CSG Exploration	Timmy	Queensland, Australia	62.88	Successful CBM Exploration Well[3]
THS01	Vertical CSG Exploration	Timmy	Queensland, Australia	67.12	Successful CBM Exploration Well[3]

Notes

1. *Well was suspended in February 2011 pending completion (asset sold)*
2. *Well was suspended at 30 June 2011 pending production testing*
3. *HR04R and HR07 collected CSG data for increase in reserves/ resources of ATP 564P. TM04, TM05, TM07 and THS01 collected CSG data for successful reserves /resource certification of ATP 602P and PLA 447 Application.*
4. *TM05 is suspended awaiting a rig for permeability testing*

Directors' Report

Your Directors present their report on the consolidated entity (the Group) consisting of Molopo Energy Limited (Molopo or the Company) and the entities it controlled at the end of, or during, the year ended 30 June 2011.

Directors

The following persons were directors of Molopo at any time during the whole of the financial year and up to the date of this report:

- Mr. Gregory Lewin
- Mr. Ian Gorman
- Mr. Maxwell Beck[1]
- Mr. Brian Straub
- Mr. Garry Cameron
- Mr. Donald Beard
- Mr. Stephen Mitchell
- Mr. Geoffrey Phillips
- Dr. David Hobday

Note
(1) *Mr. Glenn Ross (Alternate Director to Maxwell Beck)*

Director Information

Mr. Gregory Lewin

BE (Chem), MBA, FREng, FIChemE
Chairman, Non-Executive Director

Mr. Lewin was elected as a Non-Executive Director and appointed as Chairman of Molopo Energy Limited on 15 February 2011.

Mr. Lewin's career spanned 34 years with Royal Dutch Shell, from Shell Australia in 1975 to Royal Dutch Shell in The Hague. He held a number of senior executive positions with Shell throughout the world, including President, Shell Global Solutions and Executive Vice President – Shell Downstream. Shell Global Solutions consisted of Shell's Downstream, Gas & Power, Renewables and Surface Technology, Services & Projects Division. Shell Downstream is a leading Global Downstream Business with Global Oil Products and Petrochemical activities. He was President of the Institution of Chemical Engineers from 2006 to 2007. The Institution of Chemical Engineers is the Royal Society for professional Chemical Engineers with a membership of 30,000. In 2010 he was admitted as a Fellow of the Royal Academy of Engineering. He is a Board member of Amber Holdings Limited ("New Alinta") and an Executive Director of Sapphire Global Pty Ltd.

Special Responsibilities:

- Member of the Technical and HSE Committee from 5 April 2011.
- Chairman of the Remuneration and Nomination Committee from 5 April 2011.
- Member of the Audit and Risk Committee from 17 March 2011.

Mr. Lewin held the position of director of Sasol Ltd (JSE and NYSE) during 2010 and until March 2011.

Mr. Ian Gorman

BA (Hons), MA, Grad Dip (Bus Mgt)
Chief Executive Officer and Executive Director

Mr. Gorman was appointed as a Non-Executive Director of Molopo on 13 November 2006, and became an Executive Director and Chief Operating Officer of Molopo on 4 April 2007. On 15 February 2011 he was appointed Chief Executive Officer.

Mr. Gorman has over 30 years' experience in oil, gas and coalbed methane ("CBM"), eight with Shell International in south east Asia and twenty with BHP Billiton Ltd in a number of petroleum engineering and management roles. From 2002 to 2007 Mr. Gorman was Global Technical Leader for BHP Billiton's worldwide CBM activities. Mr. Gorman was Global Technical Director (Production and Operations) for the International Society of Petroleum Engineers from 2003 to 2006.

Special Responsibilities:

- Member of the Technical and HSE Committee from 5 April 2011.

Other than Molopo, Mr. Gorman has not held directorships in publicly listed companies during the past three years.

Mr. Maxwell Beck, AM

Non-Executive Director

Mr. Beck was appointed as a Non-Executive Director of Molopo on 15 February 2011.

Mr. Beck was the founder and major shareholder of the Becton Property Group (Becton). In 1976, he established Becton as a respected and highly successful property development, construction and investment company. Mr. Beck retired as Chairman of Becton in 2007.

Mr. Beck was on the inaugural Board of Directors of the Victorian Government's Melbourne Major Events Company Limited which has become the most important catalyst in securing sporting, recreational and cultural events for Melbourne. He was the founder and Chairman of the Melbourne Chapter of Children's International Summer Villages and is a former board member of the Melbourne Neuromuscular Research Centre, has been a board member of World Track Cycling, is a member of the Peter MacCallum Cancer Foundation, and was appointed Deputy Chair of the Royal Children's Hospital in 2004.

In June 2006, Mr. Beck was awarded The Member of the Order of Australia (AM) medal for his services to the construction and property development industries and to the community through fund raising and executive roles in a range of organisations and charities.

In March 2009, Mr. Beck was appointed by the Victorian Premier to Chair the Victorian Bushfire Advisory Reconstruction Board for the Black Saturday Bushfires.

Special Responsibilities:

- Chair of the Audit and Risk Committee from 17 March 2011 until 5 April 2011.
- Member of the Remuneration and Nomination Committee from 5 April 2011.

Other than Molopo, Mr. Beck has not held directorships in publicly listed companies during the past three years.

Mr. Brian Straub

BSc (Petroleum Engineering)

Non-Executive Director

Mr. Straub was appointed as a Non-Executive Director of Molopo on 17 March 2011.

Mr. Straub recently retired as President - Shell Canada Limited and Canada Country Chair - Royal Dutch Shell. With over 32 years of diverse Canadian and Global Oil and Gas experience, his previous executive responsibilities have included the Oil Sands, Exploration & Production, Major Construction and Technology Development/Application.

During his career with Shell he gained broad exploration and production experience, holding positions in key technical functions including Drilling, Production Operations and HSE as well as critical business functions such as Marketing, Joint Ventures and New Business Development for both major onshore and offshore developments.

Special Responsibilities:

- Member of the Audit and Risk Committee from 5 April 2011.
- Chairman of the Technical and HSE Committee from 5 April 2011.

Mr. Straub holds a position as director of Ridgeline Energy Services Inc. (TSX – Venture Exchange) from 18 January 2011.

Mr. Garry Cameron

PSM, B.Bus (Acc), B.Eco (Hons.), M.Eco, FAICD, FCPA

Non-Executive Director

Mr. Cameron was appointed as a Non-Executive Director of Molopo on 30 March 2011.

Mr. Cameron currently holds non-executive directorships with various companies, including ANZ Specialised Asset Management Ltd, ANZ Business Equity Fund Ltd, AHS Hospitality Ltd and Heemskirk Consolidated Limited. He previously held the position of Managing Director and CEO of an ASX listed property trust for 10 years, and prior to that held a number of senior executive roles including Executive Director, Finance, with Telecom/Telstra and Deputy Managing Director of Treasury Corporation Victoria.

He was also recognised in 1992 on the Australia Day Honours list for his contribution to finance and telecommunications, and is a director of AFL club, Richmond.

Special Responsibilities:

- Chairman of the Audit and Risk Committee from 5 April 2011.
- Member of the Remuneration and Nomination Committee from 5 April 2011.

Mr. Cameron was a non-executive director of Aevum Ltd (ASX: AVE) from August 2009 to December 2010 and is currently a non executive director of Heemskirk Consolidated Limited (ASX: HSK) since 24 February 2011.

Mr. Donald Beard

BSc (Hons) (Geol & Min)

Chairman, Non-Executive Director

Mr. Beard was appointed as a Non-Executive Director of Molopo Energy Limited on 2 April 2001 and stepped down as Chairman of Molopo Energy Limited due to ill heath on 31 January 2011. Mr. Beard was removed as Director on 15 February 2011.

Mr. Beard spent the first five years of his career in Australia working as a geologist. In 1976 he moved to Balikpapan, Indonesia, with Union Oil Company of California. In 1978 he joined IIAPCO where he was promoted to Vice President Exploration Asia/Pacific for the Diamond Shamrock International Petroleum Corporation. In 1986 Mr. Beard returned to Australia and was appointed Chief Executive and Director for Peko Oil Ltd. Santos Limited took over Peko in 1988 and Mr. Beard retired from Peko in 1990. From September 1990 to March 1999, Mr. Beard was Managing Director of Cultus Petroleum NL.

Special Responsibilities:

- Chairman of the Remuneration Committee until 15 February 2011.
- Member of the Audit and Risk Committee until 15 February 2011.

Other than Molopo, Mr. Beard has not held directorships in listed companies during the past three years.

Mr. Stephen Mitchell

BA, MA

Managing Director, Chief Executive Officer

Mr. Mitchell was appointed as a Director of Molopo Energy Limited on 22 September 1999 and by mutual agreement with Molopo ceased in his role as Managing Director and Chief Executive Officer on 15 February 2011.

Mr. Mitchell has over 16 years' experience in the international resources industry in various capacities including corporate advisory, investment banking and management. Mr. Mitchell completed an M.A. in International Economics and Politics in the USA, and spent several years in New York with a major US investment bank specialising in resources. Later he established the corporate advisory division within the Lowell Group, again concentrating on the resources sector. Mr. Mitchell is a member of the Australian Institute of Company Directors.

Other than Molopo, Mr. Mitchell has not held directorships in publicly listed companies during the past three years.

Mr. Geoffrey Phillips

MBA, BE (Chem) (Hons)

Non-Executive Director

Mr. Phillips was appointed a Non-Executive Director of Molopo Energy Limited on 1 July 2008 and was Chairman from 31 January 2011 to 15 February 2011. Mr. Phillips resigned as Director on 15 February 2011.

Mr. Phillips has over 30 years' experience spanning several industries, including oil and gas, engineering, financial services and infrastructure. Mr. Phillips is a member of the Institute of Chemical Engineers and the Australian Institute of Company Directors. Between 1996 and 2005, he held several positions at Transurban Group, an ASX 200 company, including Deputy Managing Director and Finance Director. Prior to joining Transurban Group, Mr. Phillips was a Commercial Manager at Santos Limited, where his role had a strong focus on eastern Australian gas markets. He was also Managing Director of TMOC Resources, a successful Australian oil and gas company acquired by AGL.

Special Responsibilities:

- Chairman of the Audit and Risk Committee until 15 February 2011.
- Member of the Remuneration Committee until 15 February 2011.

Other than Molopo, Mr. Phillips has not held directorships in publicly listed companies during the past three years.

Dr. David Hobday

BSc (Hons), MSc (Geology), PhD (Geology)

Non-Executive Director

Dr. Hobday was appointed as a Non-Executive Director of Molopo Energy Limited on 29 June 2009 and was removed as a Director on 15 February 2011.

Dr. Hobday is a geologist with diverse experience in the oil and gas industry as a geologist, company director, investment manager, corporate advisor and research scientist. He received his PhD degree from Louisiana State University and was a Research Fellow at Oxford University. Dr. Hobday's oil and gas industry activities span a period of 36 years and have covered five continents. He was a 1984 recipient of the Wallace Pratt Memorial Award from the American Association of Petroleum Geologists in recognition of significant contributions to petroleum geology.

As a fund manager with APA Oceanic during the 1980s, Dr. Hobday was responsible for investments in energy and mineral equities. With Bank of America and then the Australian Bank he was involved in corporate finance within the resources sector. He has served on the Boards of several energy and mining companies (both public and private) in Australia and North America.

Special Responsibilities:

- Member of the Audit and Risk Committee until 15 February 2011.
- Member of the Remuneration Committee until 15 February 2011.

Dr. Hobday held the position of non-executive director of South American Iron & Steel Corporation (ASX code: SAY) during 2006 to 13 May 2009.

Mr. Glenn Ross

Alternate Director to Maxwell Beck

Mr. Ross was appointed as a Non-Executive Director (alternate to Mr. Beck) of Molopo Energy Limited on 15 February 2011.

Mr. Ross currently manages the non property investments for Beck Corporation Pty Ltd. Mr Ross' background is in commodity trading, having worked with Cargill in Australia and Japan covering both soft commodities and metals and minerals. More recently, Mr Ross has had experience in sales and marketing of industrial minerals including a role with Rio Tinto Minerals.

Other than Molopo, Mr. Ross has not held directorships in publicly listed companies during the last three years.

Company Secretary

Ms. Jessica Huberman was appointed Company Secretary on 11 March 2011.

Ms. Huberman's experience includes one year as Finance and Governance Manager at Molopo, preceded by a number of years as a corporate lawyer in private practice, specialising in corporate and commercial law, including advising ASX listed entities on matters including Mergers and Acquistions, capital raisings and other corporate transactions.

Ms. Huberman holds Bachelor degrees in Commerce and Laws (Hons) from Monash University, as well as a Masters in Applied Finance (Corporate Finance and Investment Management). Ms. Huberman has been admitted to practice as a Solicitor and Barrister in the Supreme Court of Victoria and the High Court of Australia. Ms. Huberman is a member of the Australian Corporate Lawyers' Association (ACLA).

Mr. Anthony Bishop was Molopo's Company Secretary until 11 March 2011.

Dividends

The Directors have not declared a dividend in respect of the current year (2010: Nil).

Principal Activities

The Group's principal activities during the year continued to be petroleum production and investment in exploration, appraisal, development & production of unconventional oil and gas, including CBM, shale gas and tight oil.

Significant Changes in State of Affairs

Australia – Corporate

On 15 February 2011, a General Meeting requisitioned by shareholders was held and resulted in the removal of Mr. Donald Beard and Dr. David Hobday, and the appointment of Mr. Gregory Lewin and Mr. Maxwell Beck, as directors. Immediately following the General Meeting, Mr. Geoffrey Phillips resigned as a director, and by mutual agreement, Mr. Stephen Mitchell ceased to hold the position of Managing Director and Chief Executive Officer. Mr. Ian Gorman was appointed as Molopo's Chief Executive Officer. Further management changes occurred subsequent to the General Meeting.

In March 2011, the Board appointed Mr. Brian Straub and Mr. Garry Cameron as non-executive directors.

On 30 May 2011, Molopo completed an unmarketable parcel share buyback, purchasing and cancelling a total of 120,262 shares.

On 30 May 2011, Molopo initiated an on-market share buyback. As of the date of this report, Molopo had bought back and cancelled 5,572,512 shares.

Australia – Bowen Basin, Queensland

On 2 July 2010, Molopo completed the transaction related to the exercising of its pre-emptive rights in relation to the proposed sale by Anglo Coal (Dawson) Limited ("Anglo") of Anglo's interests in the ATP564P joint venture to Westside Corporation. This resulted in Molopo holding a 67.1% interest in ATP564P (up from 50%) and a 62.9% interest in ATP602P (up from 50%). Molopo replaced Anglo as Operator under the ATP564P Joint Operating Agreement and the ATP602P Joint Operating Agreement.

On 31 January 2011, Molopo announced a reserves upgrade for its Queensland acreage held under ATP564P and ATP602P. These permits contain the Mungi, Harcourt, Harcourt North, Lilyvale and Timmy fields. Refer to the Chief Executive Officer's Report for further discussion on the reserves upgrade.

In line with its strategy announced in April 2011, Molopo commenced the development of monetisation options for its Queensland assets and engaged Lazard to advise on the process.

Canada – Corporate

On 29 November 2010, Molopo announced its intention to conduct an initial public offering ("IPO") of its wholly-owned subsidiary, Molopo Energy Canada Ltd in North America and filed a preliminary prospectus with the relevant securities regulatory authorities in Canada. The IPO did not proceed in Q1 2011 following the sale of the Spearfish asset to Legacy Oil + Gas Inc.

On 7 March 2011, Molopo Energy Canada Ltd ("MECL"), a wholly owned subsidiary of Molopo Energy Ltd, 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 and intends to vigorously defend the statement of claim.

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. MECL served its Affidavit of Records on the joint venture partner on 29 August 2011.

The Directors believe that the action can be successfully defended.

Canada – Spearfish

On 10 August 2010, Molopo announced a reserves upgrade for its Spearfish asset in Manitoba as a result of successful drilling. Refer to the Chief Executive Officer's Report for further discussion on the reserves upgrade.

On 13 December 2010, Molopo announced further upgrades in its Spearfish acreage in Manitoba as a result of its recent successful Spearfish drilling activities. Refer to the Chief Executive Officer's Report for further discussion on the reserves upgrade.

On 1 March 2011, Molopo completed the sale of its Manitoba Spearfish oil assets to Legacy Oil + Gas Inc ("Legacy") for 6,180,000 Legacy shares and A$98.0 million in cash (of which A$3.6 million will be settled with the final statement of adjustment in September 2011). The Legacy shares were subject to a 180 day escrow period and had a closing value of A$69.9 million (A$11.31 per share) on 30 June 2011.

Canada – Quebec

With effect from 13 June 2011 the Quebec Government enacted Bill 18 "An act to limit oil and gas activities in the St Lawrence River area" ("Bill 18") 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 has received formal confirmation from the Ministère des Ressources Naturelles et de la Faune that only one of its permits in the St Lawrence area containing 38,500 acres has been revoked.

South Africa

On 16 December 2010 Molopo announced an updated reserves certification for its South African Virginia based property, which certified Molopo's first proved gas reserves for the region. Refer to the Chief Executive Officer's Report for further discussion on the reserves upgrade.

India

In April 2011 Molopo ceased its operations, closed its India office and disposed of all shares held in Molopo Energy India Private Ltd (India).

Other than those mentioned above, there were no significant changes in the nature of Molopo's activities during the financial year.

Operational Review

For further information on the Company's operations, see the Chief Executive Officer's Report on pages 6 to 17 of the Annual Report.

Financial Review

The net result attributable to the Group, after income tax expense, was a profit of $84,417,546 (2010: $2,617,925). As at 30 June 2011, the Group's net asset position was $241,536,074 (2010: $208,576,865), and cash reserves were $90,697,436 (2010: $65,693,358). Profit/(Loss), EPS, dividends and the share price at 30 June for the last 5 years is summarised below:

	2011	2010	2009	2008	2007
	$	$	$	$	$
Net profit (loss) after income tax	84,417,546	2,617,925	72,594,045	(8,945,017)	(4,643,640)
Basic earnings (loss) per share	0.337	0.013	0.397	(0.05)	(0.0435)
Diluted earnings (loss) per share	0.323	0.012	0.397	(0.05)	(0.0435)
Dividend per share	-	-	-	-	-
Share price at 30 June[1]	0.760	0.985	1.02	2.08	1.30

(1) *Share price adjusted for the 1 for 5 share and option consolidation in the 2008 financial year.*

Business Strategies and Prospects for Future Financial Years

The Group's business strategies and future developments are discussed in the Chief Executive Officer's Report on pages 6 to 17 of the Annual Report.

Environmental Regulations

The oil and natural gas industry is subject to extensive regulations pursuant to various municipal, provincial, state, national and international conventions and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, release and/or emissions of various substances produced in association with oil and natural gas operations. The Company is committed to meeting and exceeding its environmental and safety responsibilities. The Company has in place an environmental and safety policy that is designed, at a minimum, to comply with all current government regulations set for the oil and natural gas industry in all jurisdictions. Changes to governmental regulations are closely monitored to ensure compliance. There are no matters that have arisen in relation to environmental issues up to the date of this report.

Subsequent Events

During the period 1 July 2011 to the date of this report the Company bought back and cancelled 945,919 shares under the on-market share buyback.

On 15 August 2011 Stephen Arrowsmith was appointed Chief Financial Officer following his appointment as Acting Chief Financial officer on 15 June 2011.

On 31 August 2011 Molopo Energy Canada Limited, a subsidiary of Molopo, paid C$21.5m in company tax for the 2011 financial year. This amount has been fully provided for in the FY2011 accounts.

On 2 September 2011 the 6,180,000 shares held in Legacy Oil + Gas Inc were released from escrow.

Share Options

Unissued Shares

As at the date of this report, there were 4,050,002 unissued ordinary shares under options (5,000,002 at the reporting date). Refer to the Remuneration Report and Note 19 of the Financial Report for further details of the options outstanding. Option holders do not have any right, by virtue of the option, to participate in any share issue of Molopo or any related body corporate.

Shares Issued as a Result of the Exercise of Options

During the financial year, employees and executives have exercised options to acquire 150,000 fully paid ordinary shares in Molopo at a weighted average exercise price of $0.39 per share, refer to Note 19 for further details.

Performance Share Rights

Performance Share Rights Approved

On 30 June 2011 the Board approved the offering of performance share rights to all employees and executives as a one-off award to bridge the gap created in adopting a new employee incentive scheme, in light of the fact that any long-term incentive would not be eligible for vesting for three years. One third of the performance share rights awarded to each employee or executive will vest on each of 30 June 2012, 30 June 2013 and 30 June 2014 provided the relevant employee or executive meets certain performance criteria in respect of each tranche and either remains an employee of the Company or is otherwise deemed to be a 'good leaver'.

The Board has also approved sign-on options to certain executives under the new employee incentive scheme. One third of the sign-on options will vest every 12 months from each executives sign-on date for 3 years.

Each performance share right entitles the holder to one ordinary share upon the satisfaction of specified performance criteria. Performance share right holders do not have any right, by virtue of the performance share right, to participate in any share issue of Molopo or any related body corporate

Indemnification of Officers and Auditors

During the financial year, the Group paid premiums to insure the Directors, Secretary of Molopo, and the officers of the Group. The policies prohibit the company disclosing premiums.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities of the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a deliberately fraudulent or wilful breach of duty by the officer or where otherwise prohibited by the *Corporations Act 2001*.

The Group has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of Molopo or of any related body corporate against a liability incurred by such an officer or auditor.

Proceedings on Behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2011* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

Directors' Meetings

The following table sets out the number of Directors' meetings (including meetings of committees of Directors) held during the financial year, and the number of meetings attended by each Director (while they were a Director or committee member).

	Board of Directors meetings	Audit and Risk Committee meetings	Remuneration and Nomination[N] Committee meetings	Technical & HSE Committee meetings
Number of meetings held:	19	2	6	3
Number of meetings attended:				
G. Lewin[A]	8[F]	1[J]	2[E, L]	3
M. Beck[A]	6[F]			
B. Straub[B]	4[G]	1[J]		3[E]
G. Cameron[C, FE]	4[G]	1[E, J]	2[L]	
I. Gorman	18			3
G. Ross[A] (alternate director for M Beck)	2[F]		2[L]	
D. Beard[D]	11[H]	1[K]	4[E, M]	
S. Mitchell[D]	12[I]			
G. Phillips[D, FE]	12[I]	1[E, K]	4[M]	
D. Hobday[D]	11[H]	1[K]	4[M]	

A *Appointed 15 February 2011*
B *Appointed 17 March 2011*
C *Appointed 30 March 2011*
D *Ceased as a director on 15 February 2011*
E *Committee Chair during tenure*
F *8 meetings held since appointment*
FE *Financial expert as defined by the Board*
G *4 meetings held since appointment*
H *11 meetings held prior to cessation as director*
I *2 meetings held prior to cessation as director*
J *1 meeting held since appointment*
K *1 meeting held prior to cessation as director*
L *2 meetings held since appointment*
M *4 meetings held prior to cessation as director*
N *Nomination Committee in place since 5 April 2011*

Auditor's Independence Declaration

The auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 36.

Non-Audit Services

The Directors are satisfied that the provision of non-audit services during the year, by the Auditor Deloitte (or by another person or firm on the Auditor's behalf) is compatible with the general standard of independence imposed by the *Corporations Act 2001*.

The Directors' reasons for being satisfied that the provision of those non-audit services did not compromise the auditor independence requirements of the Act are:

- All non-audit services were subject to the corporate governance procedures adopted by Molopo and have been reviewed by the Audit and Risk Committee to ensure they do not impact the integrity and objectivity of the Auditor; and
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in the Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the Auditor's own work, acting in a management or decision making capacity for Molopo, acting as an advocate for Molopo or jointly sharing risks and rewards.

During the year, the following fees were paid or payable for non-audit services provided by the auditor of Molopo.

	Consolidated	
	2011	2010
	$	$
Taxation services:		
Tax compliance services	**37,564**	23,030
Tax advice in respect of asset disposals and acquisitions	**47,137**	49,198
Other tax services	**51,762**	-
	136,463	72,228

Remuneration Report (audited)

(i) Remuneration Policy

During the Reporting Period

The Remuneration and Nomination Committee of the Board of Directors (the Remuneration and Nomination Committee) is responsible for determining and reviewing compensation arrangements for the Directors and the executive team. The Remuneration and Nomination Committee assesses the appropriateness of the nature and amount of emoluments of such officers on an annual basis by taking into account relevant market conditions and the results of annual performance reviews, with the overall objective of ensuring the retention of a high quality Board and executive team. Executive performance is also subject to ongoing monitoring by the Board of Directors. Directors and the executive team are given the opportunity to receive their base emolument in a variety of forms including cash, superannuation salary sacrifice and car parking expenses.

The Directors' emoluments are comparable to similar companies within the industry. During the reporting period, there was no formal link between the Group's performance and the Directors' emoluments, including remuneration by way of securities (i.e. options or shares). The Group's overall performance was taken into account as a normal part of assessing Director performance and emoluments. Shares and/or options may form part of any awarded bonus taking into consideration the Group's overall performance. Where options are awarded to executives, the ability to hedge such unvested securities is prohibited by Molopo's Dealing in Securities policy.

During the Reporting Period, the Group had an ownership-based compensation scheme for personnel (including Directors) of Molopo. All Directors, executives and employees had the opportunity to qualify for participation in the Employee Option Incentive Scheme, which provides incentives based upon share price growth. In accordance with the provisions of the scheme, the Group's personnel may be granted options to purchase parcels of ordinary shares at an exercise price which is determined by the Remuneration and Nomination Committee at the time the option is granted. As the share price growth target was not met during FY11, no award of options pursuant to the Employee Option Incentive Scheme was made, other than sign-on bonuses to new employees or executives during the year. Details regarding the issue of share options under the plan are provided in Note 19 to the Financial Statements.

Subsequent to the Reporting Period

In late June 2011, after extensive market research, consultation advice and benchmarking, the Remuneration and Nomination Committee reviewed the Company's Remuneration Policy and made various recommendations to the Board in respect of it, particularly in respect of Molopo's incentive scheme. In order to ensure sufficient incentives to attract and retain high calibre personnel to the Company and to promote a performance-driven culture within the Company, in the best interests of the Company and its shareholders, a new incentive scheme was proposed, comprising a short term and long term incentive component, as well as a transitional award.

There are two award components of the STI: a cash award and an award of deferred Performance Share Rights (STI PSR).

A relevant employee may be awarded a number of STI PSRs following an assessment of their performance for the period at the end of each calendar year. If granted, the STI PSRs are subject to a time vesting condition, with one third of the STI PSRs awarded scheduled for vesting 12 months after the end of the performance period, a further third eligible for vesting 24 months after the end of the performance period and the remaining third eligible for vesting 36 months after the end of the performance period. Where the relevant employee resigns or is terminated by the Company with cause, any unvested STI PSRs will be forfeited. Where the relevant employee is deemed to be a 'good leaver' (generally meaning their employment involuntarily ceases other than with cause), any unvested STI PSRs will be retained.

Long Term Incentive (LTI): The plan aims to reward individual contribution to long term business performance as measured through an increase in the Company's total shareholder return over a specified period. Total shareholder return, on a relative basis, is measured by comparing the Company's total shareholder return over the performance period against a comparator group of approximately 20 ASX listed companies.

Total shareholder return will also be measured on an absolute basis, by calculating the growth rate of Molopo's total shareholder return over the performance period. The number of shares that may be provided to a participant depends upon the Company's total shareholder return (measured relatively and absolutely during the performance period). It is intended that an award of Performance Share Rights under the LTI will be subsequent to the end of the calendar year, provided the relevant employee's performance for the preceding performance period is satisfactory (as determined by the Board). The LTI PSR will be performance tested and eligible for vesting 36 months after the grant date in respect of the three year period since grant. The number of LTI PSRs eligible for vesting will depend on the Company's total shareholder return.

Where the relevant employee resigns or is terminated by the Company with cause, any unvested LTI PSRs will be forfeited. Where the relevant employee is deemed to be a 'good leaver', they will retain a reduced number of unvested LTI PSRs, adjusted to reflect the period of their service during the Relevant Performance Period.

The Remuneration and Nomination Committee also recommended to the Board that non-executive directors cease to be eligible for Molopo's incentive scheme. The above recommendations were approved by the Board during June and July 2011.

(ii) Elements of Director and Executive Remuneration

Remuneration packages contain the following key elements:

(a) Primary benefits – salary / fees, bonuses and non-monetary benefits;

(b) Post employment benefits including superannuation;

(c) Equity including share options and performance share rights granted under employee incentive plans; and

(d) Other benefits.

(iii) Bonuses Included in Remuneration

During the financial year bonuses were paid to certain Officers of Molopo. The bonuses were recommended by the Chief Executive Officer based on the sale of the Spearfish oil asset. The recommendation for the payment of the bonuses and the determination of the amount paid to the Officers were approved by the Board and payment was made in March 2011.

The following table discloses the remuneration of the key management personnel of the Group as at 30 June 2011.

2011	Short-term benefits				Post-employment benefits		Other long-term benefits	Termination benefits	Share-based payments Equity-settled		Total
	Salary & fees	Bonus	Non-monetary	Bonus	Superannuation	Other			Shares & units	Options & rights	
	$	$	$	%	$	$	$	$	$	$	$
NON-EXECUTIVE DIRECTORS											
G. Lewin[1]	87,065	-	-	-	7,836	-	-	-	-	-	94,901
M. Beck[2]	-	-	-	-	-	-	-	-	-	-	-
G. Ross[3]	20,000	-	-	-	-	-	-	-	-	-	20,000
B. Straub[4]	23,225	-	-	-	-	-	-	-	-	-	23,225
G. Cameron[5]	18,743	-	-	-	1,687	-	-	-	-	-	20,430
D. Beard[6]	87,690	-	-	-	7,892	-	-	-	-	-	95,582
G. Phillips[7]	48,253	-	-	-	11,519	-	-	-	-	-	59,772
D. Hobday[8]	85,336	-	-	-	4,412	-	-	-	-	-	89,748
EXECUTIVE DIRECTORS											
I. Gorman[9]	487,488	-	-	-	43,874	-	-	-	-	-	531,362
S. Mitchell[10]	561,277[13]	-	1,273	-	16,961	-	-	591,743	-	-	1,171,254
OFFICERS											
R. Sotelo	260,000	-	-	-	50,000	-	-	-	-	-	310,000
A. Bishop[11]	292,002	80,000	-	9.24	17,597	-	-	476,112	-	-	865,711
M. Bowers[12]	220,030	188,734	22,478	31.32	-	-	-	-	-	171,442	602,684
S. Greenshields	233,127	163,446	-	32.05	-	-	-	-	-	113,444	510,017
Total	2,424,236	432,180	23,751		161,778	-	-	1,067,855	-	284,886	4,394,686

1 *G. Lewin was appointed as Director on 15 February 2011. G. Lewin received $63,887 in Director fees and $23,178 in consulting fees (refer to Note 27 for further details on consulting fees).*

2 *M. Beck was appointed as Director on 15 February 2011. M. Beck is entitled to be paid a Director fee however has chosen not to receive this payment for the year ended 30 June 2011.*

3 *G. Ross was appointed as alternate Director to M. Beck on 15 February 2011. G. Ross is not entitled to be paid a Director fee. A consulting fee of $20,000 was paid (refer to Note 27 for further details on consulting fees).*

4 *B. Straub was appointed as Director on 17 March 2011.*

5 *G. Cameron was appointed as Director on 30 March 2011.*

6 *D. Beard was removed as Director on 15 February 2011.*

7 *G. Phillips resigned as Director on 15 February 2011.*

8 *D. Hobday was removed as Director on 15 February 2011. D. Hobday received $49,021 in Director fees and $36,315 in consulting fees (refer to Note 27 for further details on consulting fees).*

9 *I. Gorman was appointed Chief Executive Officer on 15 February 2011 and held the position of COO to 15 February 2011.*

10 *S. Mitchell ceased as MD and CEO on 15 February 2011.*

11 *A. Bishop ceased as CFO/Company Secretary on 11 March 2011.*

12 *M. Bowers resigned on 1 April 2011.*

13 *This includes long service and annual leave entitlements, as well as Company superannuation contributions above the Superannuation Guarantee Contribution.*

The following table discloses the remuneration of the key management personnel of the Group as at 30 June 2010.

2010	Short-term benefits: Salary & fees	Short-term benefits: Bonus	Short-term benefits: Non-monetary	Short-term benefits: Bonus	Post-employment benefits: Superannuation	Post-employment benefits: Other	Other long-term benefits	Termination benefits	Share-based payments, Equity-settled: Shares & units	Share-based payments, Equity-settled: Options & rights	Total
	$	$	$	%	$	$	$	$	$	$	$
NON-EXECUTIVE DIRECTORS											
D. Beard	75,000	-	-	-	6,750	-	-	-	-	-	81,750
G. Phillips	28,005	-	-	-	31,945	-	-	-	-	-	59,950
D. Hobday[1]	123,711	-	-	-	4,988	-	-	-	-	-	128,699
EXECUTIVE DIRECTORS											
I. Gorman	320,000	100,000	-	22.28	28,800	-	-	-	-	-	448,800
S. Mitchell	346,465	200,000	1,797	34.92	24,461	-	-	-	-	-	572,723
OFFICERS											
R. Sotelo	239,200	12,500	-	7.57	50,000	-	-	-	11,196	-	312,896
A. Bishop	337,752	37,500	-	16.39	25,000	-	-	-	33,587	-	433,839
M. Bowers[2]	160,350	26,705	5,029	10.42	-	-	-	-	24,762	277,118	493,964
Total	1,630,483	376,705	6,826		171,944	-	-	-	69,545	277,118	2,532,621

[1] *D. Hobday received $55,421 in Director fees and $68,290 in consulting fees (refer to Note 27 of the Financial Report for further details on consulting fees).*

[2] *M. Bowers commenced employment with the Group on 16 November 2009.*

(iv) Options granted to Directors and Officers of Molopo

The following table discloses the fair value of options granted, exercised or lapsed during the year:

2011	Options granted	Options exercised	Options lapsed	Total value of options granted, exercised and lapsed	Value of options included in remuneration during the year	Percentage of total remuneration for the year that consists of options
	Value at grant date	Value at exercise date	Value at time of lapse			
	$	$	$	$	$	%
NON-EXECUTIVE DIRECTORS						
G. Lewin	-	-	-	-	-	**0.00**
M. Beck	-	-	-	-	-	**0.00**
G. Ross	-	-	-	-	-	**0.00**
B. Straub	-	-	-	-	-	**0.00**
G. Cameron	-	-	-	-	-	**0.00**
D. Beard	-	-	**63,523**	**63,523**	-	**0.00**
G. Phillips	-	-	**815,600**	**815,600**	-	**0.00**
D. Hobday	-	-	**86,266**	**86,266**	-	**0.00**
EXECUTIVE DIRECTORS						
I. Gorman	-	-	**283,295**	**283,295**	-	**0.00**
S. Mitchell	-	-	**298,008**	**298,008**	-	**0.00**
OFFICERS						
R. Sotelo	-	-	**188,862**	**188,862**	-	**0.00**
A. Bishop	-	-	-	-	-	**0.00**
M. Bowers	-	-	-	-	**171,442**	**28.45**
S. Greenshields	-	-	-	-	**113,444**	**22.24**

2010	Options granted	Options exercised	Options lapsed	Total value of options granted, exercised and lapsed	Value of options included in remuneration during the year	Percentage of total remuneration for the year that consists of options
	Value at grant date	Value at exercise date	Value at time of lapse			
	$	$	$	$	$	%
NON-EXECUTIVE DIRECTORS						
D. Beard	-	303,000	-	303,000	-	0.00
G. Phillips	-	-	-	-	-	0.00
D. Hobday	-	-	-	-	-	0.00
EXECUTIVE DIRECTORS						
S. Mitchell	-	-	-	-	-	0.00
I. Gorman	-	802,583	-	802,583	-	0.00
OFFICERS						
R. Sotelo	-	-	-	-	-	0.00
A. Bishop	-	-	-	-	-	0.00
M. Bowers[1]	442,080	-	-	442,080	277,118	56.10

Note:

1. *M. Bowers was granted 800,000 options upon commencement of employment.*

(v) Contracts of Employment

Mr. Gorman is a Director, and since 15 February 2011 Chief Executive Officer, whose contract term is 12 months from 15 February 2011 (Initial Term). Prior to 15 February 2011, Mr. Gorman was employed as Chief Operating Officer under a contract of employment whose terms have been superseded. Mr. Gorman and the Company may agree in writing on or prior to 15 November 2011 that the employment continue indefinitely. The Company may immediately terminate Mr. Gorman’s employment for cause at any time. In this case, Mr. Gorman is not entitled to notice (or payment in lieu of notice) or any severance payment.

During the Initial Term, the Company may terminate Mr. Gorman's contract without cause by giving three months' notice of termination or in the alternative, by giving the statutory level of notice required under law, payment in lieu of such notice or a combination of notice and payment in lieu, in addition to a lump sum payment equivalent to three months' base salary for past services rendered to the Company.

Where the contract is not extended by the parties by 15 November 2011, Mr. Gorman's employment will automatically cease on 15 February 2012, with no further requirement for notice and no severance payment.

Where the contract is extended beyond the Initial Term, the Company may terminate Mr. Gorman's employment without cause by giving six months' notice of termination or in the alternative, by giving the statutory level of notice required under law, payment in lieu of such notice or a combination of notice and payment in lieu, in addition to a lump sum payment equivalent to six months' base salary for past services rendered to the Company.

Where Mr. Gorman suffers a material diminution in his functions, powers or duties or a change in his reporting relationship to the Board, he may, within 30 days' of such material diminution elect to give 90 days' notice that the employment is treated as being terminated at the end of that 90 day period. In such a case, the Company must pay Mr. Gorman the equivalent of six months' annual base salary for past services.

Mr. Gorman may resign during the Initial Term by giving the company three months' written notice. Where the contract is extended beyond the Initial Term, Mr. Gorman may resign by giving the Company six months' written notice.

All other Directors of Molopo are employed under a letter of appointment that does not contain specified incentive entitlements, including options, performance share rights or shares.

Subsequent to the end of the Reporting Period, Mr. Sotelo entered into a new contract of employment due to the imminent expiry of his previous employment contract. The new contract is an evergreen contract, and provides that the Company may immediately terminate Mr. Sotelo's employment for cause at any time. In this case, Mr. Sotelo is not entitled to notice (or payment in lieu of notice) or any severance payment. The Company may terminate Mr. Sotelo's employment without cause by giving six months' notice of termination or in the alternative, by giving the statutory level of notice required under law, payment in lieu of such notice or a combination of notice and payment in lieu, in addition to a lump sum payment equivalent to six months' base salary for past services rendered to the Company. Mr. Sotelo is required to give the Company 1 months' notice of resignation.

As all other executives noted in the Remuneration Table are no longer employed at the date of this report, summaries of their employment contracts are not provided.

(vi) Directors' Shareholdings

The following table sets out each current Director's relevant interest in shares, debentures, and rights or options in shares or debentures of Molopo or a related body corporate as at the date of this report.

	Ordinary shares issued	Options over ordinary shares
	No.	No.
G. Lewin	110,000	-
I. Gorman	727,599	-
M. Beck	8,303,952	-
G. Ross	27,143	-
B. Straub	20,000	-
G. Cameron	15,000	-

Signed in accordance with a resolution of the Directors.

Greg Lewin
Chairman

14 September 2011
Melbourne

Independence Declaration

Deloitte Touche Tohmatsu
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The Board of Directors
Molopo Energy Limited
Level 14, 31 Queen Street
Melbourne VIC 3000

14 September 2011

Dear Board Members,

Molopo Energy Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Molopo Energy Limited.

As lead audit partner for the audit of the financial statements of Molopo Energy Limited for the financial year ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely,

DELOITTE TOUCHE TOHMATSU

Peter Jovic
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited 36

Corporate Governance Statement

Foundations for Management and Oversight

The Board of Directors (the Board) has the overall responsibility to shareholders for all governance matters of the Group. In accordance with ASX Council's published guidelines as set out in its Principles of Good Corporate Governance and Best Practice Recommendations (Recommendations), the Board remains primarily responsible for the strategic direction and financial aspirations of the Group, whilst delegating the responsibilities of management to the Chief Executive Officer and the senior management team (Recommendation 1.1).

The Board aims to fulfil its responsibilities by creating value for all stakeholders that is sustainable and beneficial. Stakeholders include shareholders, employees, customers, the community and the environment. The Board has adopted a Charter (Board Charter) which includes, amongst other items, the specific roles and responsibilities of the Board. Without limiting the Board's function, its specific responsibilities include:

- Approving objectives, strategies and financial plans and monitoring Molopo's performance against these plans;
- Appointment of the Chief Executive Officer and reviewing his performance and remuneration;
- The responsibilities of the Chief Executive Officer and Chief Financial Officer;
- Monitoring compliance with regulatory requirements, and ensuring all Group employees act with integrity and diligence in the interests of the Group and stakeholders; and
- Reviewing and approving all significant policies and procedures across the Group.

The Board Charter can be located on Molopo's website at http://www.molopo.com.au/company/corporate-governance/.

Board Structure

As at 30 June 2011, the Board comprised five directors, four of whom are independent non-executive directors.

The structure of the Board met the following Recommendations in Principle 2 for the year ended 30 June 2011; a majority of the Board are independent directors (Recommendation 2.1), the Chairman is an independent director (Recommendation 2.2) and the roles of Chairman and Chief Executive Officer are not exercised by the same individual (Recommendation 2.3). Following significant Board changes, as of 5 April 2011, a Nomination Committee was formed (Recommendation 2.4) and combined with the Remuneration Committee. Prior to the formation of a Nomination Committee, the Board as a whole dealt with any nomination related matters.

Name & qualifications	Position	Term in office
Gregory Lewin BE (Chem), MBA, FREng, FIChemE	Non-Executive Chairman, *Chairman of Remuneration and Nomination Committee, Member of Audit & Risk and Technical & HSE Committees*	Appointed 15 February 2011, less than 1 year.
Maxwell Beck AM	Non-Executive Director, *Member of Remuneration and Nomination Committee, former Chairman of Audit and Risk Committee*	Appointed 15 February 2011, less than 1 year.
Ian Gorman BA (Hons), MA, Grad Dip (Bus Mgt)	Chief Executive Officer (previously Chief Operating Officer) and Executive Director, *Member of Technical & HSE Committee*	Appointed Non-Executive Director on 13 November 2006, and appointed Executive Director on 4 April, 2007; 5 years.
Brian Straub BSc (Petroleum Engineering)	Non-Executive Director, *Chairman of Technical & HSE Committee and Member of Audit & Risk Committee*	Appointed 17 March 2011, less than 1 year.
Garry Cameron PSM, B.Bus (Acc), B.Eco (Hons), M.Eco, FAICD, FCPA	Non-Executive Director, *Chairman of Audit & Risk Committee, Member of Remuneration and Nomination Committee*	Appointed 30 March 2011, less than 1 year.

The Directors are appointed in accordance with the constitution of Molopo which provides for a term of three years, at the conclusion of which re-appointment may be sought. Earlier re-appointment may be required as at least one director must stand for re-election at each Annual General Meeting.

The Board regularly reviews the skills and experience which it requires to fulfil its obligations, and appoints as directors persons who possess and can apply those skills and experience. The experience of Directors is recorded in the Directors' Report.

Each Director is required to disclose any interest which might create a potential conflict of interest with their duties as a director of Molopo or which would affect their independence.

In accordance with the Recommendations, the Board has met the guideline that no independent director holds more than 5% of the total shares on issue.

The Board has reviewed the position of all current directors in light of Molopo's adopted definition of independence. This definition is consistent with the guidelines provided by the Recommendations. The results of this review are set out in the following table:

Director	Capacity	Office held from
G. Lewin	Independent Non-Executive	15 February 2011
M. Beck	Independent Non-Executive	15 February 2011
I. Gorman	Executive	13 November 2006
B. Straub	Independent Non-Executive	17 March 2011
G. Cameron	Independent Non-Executive	30 March 2011

Independent Professional Advice

The Non-Executive Directors have the right to seek independent professional advice in the furtherance of their duties as Directors at Molopo's expense. The request must first be discussed with the Chairman who will facilitate obtaining the advice.

Performance of the Board, Chairman, Directors and Senior Executives

The Non-Executive Directors are responsible for reviewing the performance of the Chairman. It is the responsibility of the Chairman to assess the performance of each of the Non-Executive Directors. The Chairman will review the performance of the CEO, and the CEO will review the senior executives, with recommendations provided to the Remuneration and Nomination Committee which in turn makes recommendations to the Board. The Board has a formal performance review process which involves open and constructive dialogue between the respective parties, taking account the objectives and measurable results that have been achieved. The policy ensures that Molopo complies with Recommendations 1.2 and 2.5.

However, Molopo has not been compliant with Recommendations 1.3 or 2.6 as performance evaluations of the Board, the Chairman, Directors and Senior Executives did not take place during the financial year as a result of significant changes to the Board and Senior Management during the year, providing insufficient time to adequately assess performance. As a result, the performance evaluation policy has been amended so that the assessment period for performance of the Board, Chairman, Directors and Senior Executives takes place at or around the beginning of the calendar year rather than at the end of the financial year.

The performance evaluation policy can be located on Molopo's website at http://www.molopo.com.au/company/corporate-governance/.

Board Committee Structure

The Board's function is to address issues in their broadest context. It is through the committee structure that specific areas of detail are examined. Currently there are three committees in place.

Audit and Risk Committee

The Audit and Risk Committee is responsible for risk management and oversight of Molopo's financial reporting policies and other operational risk areas. The Committee monitors the internal controls and the integrity of Molopo's financial statements in compliance with the regulatory requirements. The Committee is also responsible for the appointment, evaluation and oversight of the external auditor, and ensuring that the independence of the external assurance function is maintained.

The Committee has a formal charter which complies with Recommendation 4.3, and sets out that membership will only comprise non-executive directors, a majority of which must be independent. The Committee shall appoint an independent chairman who is not the Chairman of the Board. The Committee shall comprise of a minimum of three members and shall include at least one member who is a "financial expert" (FE) as defined by the Board. All members are required to be financially literate.

In accordance with Recommendation 4.4, the Charter also sets out information on procedures for the selection and appointment of the external auditor, and for the rotation of external audit partner engagement.

Prior to 15 February 2011, the Audit and Risk Committee was chaired by Mr. Geoffrey Phillips (Non-Executive Director), with Mr. Don Beard (Non-Executive Chairman) and Dr. David Hobday (Non-Executive Director) as members.

Between 15 February 2011 and 16 March 2011, Molopo did not have an Audit and Risk Committee due to Board changes resulting in an insufficient number of non-executive directors. During this time Molopo did not comply with Recommendations 4.1 or 4.2.

From 17 March 2011 to 4 April 2011, the Audit and Risk Committee was chaired by Mr. Maxwell Beck (Non-Executive Director), with Mr. Greg Lewin (Non-Executive Chairman) and Mr. Brian Straub (Non-Executive Director) as members, however no meetings took place during this time.

On 5 April 2011, Mr. Maxwell Beck (Non-Executive Director) stepped down as Chairman of the Audit and Risk Committee, and was replaced by Mr. Garry Cameron (Non-Executive Director). From 5 April 2011 the Audit and Risk Committee was chaired by Mr. Garry Cameron (Non-Executive Director), with Mr. Greg Lewin (Non-Executive Chairman) and Mr. Brian Straub (Non-Executive Director) as members.

As at 30 June 2011, Molopo's structure to independently verify and safeguard the integrity of its financial reporting meets the requirements of Recommendations 4.1 to 4.4.

Remuneration and Nomination Committee

The Committee is responsible for making recommendations to the Board with respect to Molopo's compensation policies, including equity-based programmes.

The Committee reviews, considers and evaluates the remuneration and performance of Executive Directors and senior management. Since 5 April 2011, in accordance with Recommendation 2.6, this Committee has been responsible for the identification of suitable candidates for appointment to the Board, succession planning in respect of the Chairman and CEO and the assessment of performance of individual directors and the endorsement of retiring directors seeking election.

In accordance with Recommendation 8.2, the Committee's Charter sets out that membership should comprise of at least three members, who are all non-executive directors, the majority of which must be independent. The Board is responsible for appointing a Committee Chairman.

Prior to 15 February 2011, the Remuneration Committee was chaired by Mr. Don Beard (Non-Executive Chairman), with Mr. Geoffrey Phillips (Non-Executive Director) and Dr. David Hobday (Non-Executive Director) as members.

Between 15 February 2011 and 4 April 2011, Molopo did not have a Remuneration and/or Nomination Committee due to Board changes and until mid-March, an insufficient number of non-executive directors.

On 5 April 2011, the Board reconstituted the Remuneration Committee and for the first time implemented a Nomination Committee, whose roles were combined to form the Remuneration and Nomination Committee. Since 5 April 2011, Mr. Greg Lewin chaired the Remuneration and Nomination Committee, with Mr. Max Beck (Non-Executive Director) and Mr. Garry Cameron (Non-Executive Director) as members.

Molopo was compliant with Recommendation 8.1 from 30 June 2010 to 15 February 2011, and again from 5 April 2011 to 30 June 2011. Molopo has been compliant with Recommendation 2.4 since 5 April 2011.

Technical & HSE Committee

On 5 April 2011, the Technical & HSE Committee was formed, with Mr. Brian Straub appointed as Chairman (Non-Executive Director), and Mr. Greg Lewin (Non-Executive Chairman) and Mr. Ian Gorman (Chief Executive Officer and Executive Director) as members.

The Committee is to consist of at least three members, a majority of which must be independent non-executive directors, and all members must have an appropriate level of knowledge of HSE, Oil & Gas exploration, production and technical matters, including reserves determination.

The Technical & HSE Committee is responsible for assisting the Board in working with management on Technical & HSE issues, overseeing and monitoring HSE & technical aspects of the operational performance of Molopo, overseeing and reporting to the Board on HSE performance and the quality of technical work carried out by Molopo and, where appropriate, making recommendations for improvement, as well as reporting to the Board on HSE & technical matters.

Policies and Procedures

A summary of Molopo's key policies and procedures is provided below.

Code of Conduct

This policy is compliant with Recommendation 3.1 and sets out the ethical standards that govern the conduct of all directors, officers and employees. Molopo recognises the interests of all stakeholders in the community and their role in creating shareholder value. Every director and employee is required, at all times, to conduct themselves in a manner consistent with the principles of honesty and integrity.

The Code requires directors, officers and employees, amongst other things, to comply with the law, to disclose relevant interests that they may have, and to act in the best interests of the Group. The Code also covers confidentiality of information and respect of privacy.

This policy is available on Molopo's website at http://www.molopo.com.au/company/corporate-governance/.

Diversity Policy

Molopo is an early adopter of diversity related Recommendations. In accordance with Recommendation 3.2, Molopo established a diversity policy in May 2011.

The Policy recognises that given the industry in which Molopo operates, together with the small number of employees within Molopo, it is difficult to provide meaningful percentage targets for female participation and where this can be done, it is further recognised that the departure or hire of a single staff member may have a significant percentage impact on the gender balance.

In accordance with Recommendation 3.3, Molopo seeks to have at least one female director on the Board by 2014 subject to the particular skills and gaps on the Board at the relevant time. In relation to senior management gender diversity, Molopo aims to have 25% female representation at the senior executive level over the longer term, recognising that there may be fluctuations at times. The Company also aims for the proportion of females in Molopo as a whole to be greater than 30%.

As required by Recommendation 3.4, Molopo highlights that as at the date of this report, there were no female directors on the Board, the proportion of females in senior executive levels was 33%, and 35% of the Company as a whole comprised female employees. The Company therefore meets its target in relation to female representation at both senior executive and the organisational level, and will continue to work towards its target of having a female Board member by 2014.

The Diversity Policy is available on Molopo's website at http://www.molopo.com.au/company/corporate-governance/.

Continuous Disclosure and Shareholder Communication Policy

The Company recognises the importance of timely disclosure of the Group's activities to shareholders and the market, in accordance with its legal and regulatory obligations. This Policy sets out the principles that guide Molopo in fulfilling its responsibilities to act with integrity, to satisfy the disclosure and effective communication requirements of the ASX and the Corporations Act.

The Company's Continuous Disclosure and Communication Policy meets the requirements of Recommendations 5.1 and 6.1. It requires communication with shareholders and provides that Molopo must undertake to update its website on a regular basis to provide all material announcements and information. In addition, Molopo attempts to respond to shareholder queries as soon as practicable when such queries are raised.

This policy is available on Molopo's website at http://www.molopo.com.au/company/corporate-governance/.

Dealing in Securities Policy

This Policy sets out the obligations of all directors, officers and employees dealing in the securities of Molopo and entities with which it transacts or may transact. The Policy is compliant with Recommendation 3.2 and prohibits trading by all persons aware of price sensitive information about the Group.

In accordance with Recommendation 8.4, Molopo's Dealing in Securities Policy prohibits directors, officers, employees and their related parties from entering into transactions in products associated with shares or options in Molopo that operate to limit the economic risk of holding any unvested shares or options in Molopo at any time.

This policy is available on Molopo's website at http://www.molopo.com.au/company/corporate-governance/.

Significant Accounting Policies

Details of significant accounting policies are set out in Note 3 to this Financial Report.

Risk Management

Oversight of the Risk Management System

The Board oversees the establishment, implementation, and annual review of Molopo's Risk Management System. Management has established a Risk Management System for assessing, monitoring and managing all risk, including material business risks for the Group (including sustainability risk), in line with Recommendation 7.1. In accordance with Recommendation 7.3, the Chief Executive Officer and Chief Financial Officer have provided an assurance, in writing to the Board, that the financial reporting risk management and associated compliance and controls have been assessed and found to be operating effectively. Pursuant to Recommendations 7.2 and 7.4, the operational and other risk management compliance and controls have also been assessed and found to be operating effectively.

Risk Profile

Material business risks for Molopo may arise from such matters as actions by competitors, Federal and State government policy changes, inherent risks associated with petroleum exploration and development, impact of price changes of oil and gas, inherent risks in estimating quantities of reserves, environment, occupational health and safety, property, financial reporting and the use of information systems.

Risks are continually assessed, monitored and managed at management level. Any areas of significant risk are dealt with at the Board level.

Details of Molopo's Risk Management Policy are available on Molopo's website at http://www.molopo.com.au/company/corporate-governance/.

Risk Management, Compliance and Control

The Board is responsible for the overall internal control framework, but recognises that no cost-effective internal control system will preclude all errors and irregularities.

To manage Molopo's risk profile, the Board has established an internal control framework as follows:

- Financial reporting accuracy and compliance with the financial reporting regulatory framework;
- Limits of authority specifying delegated authority and limits of authority in areas of operational and capital expenditure;
- Monitoring and review of occupational health and safety standards in order to achieve high standards of performance and compliance with regulations;
- Authorisation of business transactions to ensure proper execution; and
- Monitoring and review of environmental performance to ensure compliance with environmental regulations (refer to Directors' report).

Further details are available on Molopo's website at http://www.molopo.com.au/company/corporate-governance/.

Remuneration Structure

During the reporting period, Molopo did not comply with Recommendation 8.3 as Non-Executive Directors were entitled to participate in the same incentive scheme as Executive Directors and Senior Management. However, during the reporting period, no Non-Executive Director was paid a bonus.

To ensure compliance with Recommendation 8.3 going forward, the Board resolved that Non-Executive Directors will no longer be entitled to participate in Molopo's incentive scheme.

Statement of Financial Position
As at 30 June 2011

	Note	Consolidated	
		2011	2010
		$	$
CURRENT ASSETS			
Cash and cash equivalents	18(a)	**90,697,436**	65,693,358
Trade and other receivables	7	**5,336,787**	10,251,629
Available-for-sale non financial assets	8	**61,854,327**	-
Total current assets		**157,888,550**	75,944,987
NON-CURRENT ASSETS			
Other investments (term deposits)		**-**	15,000,000
Equity investments	30(f)	**70,834,837**	3,018,708
Plant and equipment	9	**352,975**	3,266,705
Oil and gas properties	10	**-**	79,058,395
Exploration and evaluation assets	11	**46,298,662**	50,834,474
Total non-current assets		**117,486,474**	151,178,282
Total assets		**275,375,024**	227,123,269
CURRENT LIABILITIES			
Payables	13	**3,450,879**	10,699,305
Provisions	14	**393,957**	415,278
Current tax payable		**20,729,997**	-
Liabilities associated with available-for-sale non financial assets	8	**556,020**	-
TOTAL CURRENT LIABILITIES		**25,130,853**	11,114,583
NON-CURRENT LIABILITIES			
Provisions	14	**374,763**	1,669,609
Deferred tax liabilities	12	**8,333,334**	5,762,212
Total non-current liabilities		**8,708,097**	7,431,821
Total liabilities		**33,838,950**	18,546,404
Net assets		**241,536,074**	208,576,865
EQUITY			
Share capital	15	**153,826,171**	154,559,636
Reserves	16	**(44,806,376)**	6,989,199
Retained profits		**132,516,279**	47,032,600
Total equity attributable to equity holders of the Company		**241,536,074**	208,581,435
Non-controlling interest		**-**	(4,570)
TOTAL EQUITY		**241,536,074**	208,576,865

The above Statement should be read in conjunction with the accompanying notes.

Statement of Comprehensive Income
For the year ended 30 June 2011

	Note	Consolidated 2011	Consolidated 2010
		$	$
CONTINUING OPERATIONS			
Revenue from the sale of gas and oil produced	4	**14,152,150**	6,092,163
Cost of sales from revenue producing operations			
Operating and transportation costs		**(6,375,713)**	(5,078,788)
Amortisation of non-current assets	5	**(6,973,639)**	(3,966,471)
Depreciation of mining plant & equipment	5	**(316,821)**	(271,419)
Gross profit/(loss) from continuing operations		**485,977**	(3,224,515)
Other revenue	4	**1,899,973**	4,948,884
Other income	4	**138,434,283**	14,036,340
Acquisition costs		**(152,838)**	(1,136,338)
Administration expenses		**(2,308,779)**	(1,589,777)
TSX listing expenses		**(2,000,589)**	-
Loss on sale of equity investments		**-**	(26,101)
Loss on sale of property, plant and equipment		**(2,223)**	-
Provision for impairment of receivables		**(357,390)**	-
Impairment expense of equity investments		**-**	(1,066,133)
Impairment expense of exploration assets	5	**(7,171,825)**	-
Depreciation expense	5	**(143,081)**	(86,106)
Salary and employee benefits expense	5	**(10,724,852)**	(5,855,141)
Finance costs		**(180,317)**	(34,761)
Legal, management and consulting fees		**(2,266,033)**	(1,733,673)
Operating lease expense		**(414,991)**	(354,768)
Restoration (finance) costs		**16,691**	72,120
Share based payments	19(b)	**(1,071,869)**	(1,225,255)
Travel expenses		**(736,713)**	(825,269)
Other expenses		**(1,798,636)**	(1,040,365)
Profit/(loss) before income tax		**111,506,788**	859,142
Income tax benefit/(expense) from continuing operations	6	**(27,081,873)**	1,779,870
Profit/(loss) from continuing operations		**84,424,915**	2,639,012
DISCONTINUED OPERATION			
Profit from discontinued operation net of income tax	5	**(2,799)**	(23,430)
Profit for the period		**84,422,116**	2,615,582

	Note	Consolidated	
		2011	2010
		$	$
OTHER COMPREHENSIVE INCOME, NET OF TAX			
Foreign currency translation	16	**(20,605,221)**	2,491,022
Investment fluctuation reserve	16	**(28,280,747)**	(1,066,133)
Transfer of impairment loss of equity investments to expenses		**-**	1,066,133
Total other comprehensive income for the period, net of tax		**(48,885,968)**	2,491,022
Total comprehensive income for the period		**35,536,148**	5,106,604
Profit for the period attributable to:			
Owners of the parent		**84,417,546**	2,617,925
Non-controlling interests		**4,570**	(2,343)
		84,422,116	2,615,582
Total comprehensive income for the period is attributable to:			
Owners of the parent		**35,531,578**	5,108,947
Non-controlling interests		**4,570**	(2,343)
		35,536,148	5,106,604
Basic earnings/(loss) per share	26	**0.34**	0.01
Diluted earnings/(loss) per share	26	**0.33**	0.01
Earnings per share from continuing operations			
Basic earnings/(loss) per share	26	**0.34**	0.01
Diluted earnings/(loss) per share	26	**0.33**	0.01

The above Statement should be read in conjunction with the accompanying notes.

Statement of Changes in Equity
For the year ended 30 June 2011

	Attributable to equity holders of the parent							
	Ordinary shares	Option premium reserve	Foreign currency translation reserve	Investment fluctuation reserve	Retained profits/ (Accumulated losses)	Total	Non-controlling interests	Total equity
	$	$	$	$	$	$	$	$
AT 1 JULY 2010	**154,559,636**	**4,728,204**	**2,260,995**	**-**	**47,032,600**	**208,581,435**	**(4,570)**	**208,576,865**
Adjustment for previous period (Note 16)	**-**	**-**	**-**	**(1,066,133)**	**1,066,133**	**-**	**-**	**-**
Profit for the period	**-**	**-**	**-**	**-**	**84,417,546**	**84,417,546**	**4,570**	**84,422,116**
Other comprehensive income	**-**	**-**	**(20,605,221)**	**(28,280,747)**	**-**	**(48,885,968)**	**-**	**(48,885,968)**
Total comprehensive income for the period	**-**	**-**	**(20,605,221)**	**(29,346,880)**	**84,417,546**	**35,531,578**	**4,570**	**35,536,148**
Transactions with owners in their capacity as owners								
Issue of share capital	**78,022**	**-**	**-**	**-**	**-**	**78,022**	**-**	**78,022**
Cancellation of share capital	**(3,627,754)**	**-**	**-**	**-**	**-**	**(3,627,754)**	**-**	**(3,627,754)**
Share issue costs	**(74,884)**	**-**	**-**	**-**	**-**	**(74,884)**	**-**	**(74,884)**
Share based payments	**-**	**1,047,677**	**-**	**-**	**-**	**1,047,677**	**-**	**1,047,677**
Option premium transferred in/(out)	**2,891,151**	**(2,891,151)**	**-**	**-**	**-**	**-**	**-**	**-**
Balance at 30 June 2011	**153,826,171**	**2,884,730**	**(18,344,226)**	**(29,346,880)**	**132,516,279**	**241,536,074**	**-**	**241,536,074**
AT 1 JULY 2009	80,977,497	4,945,325	(230,027)	-	44,414,675	130,107,470	(2,227)	130,105,243
Profit for the period	-	-	-	-	2,617,925	2,617,925	(2,343)	2,615,582
Other comprehensive income	-	-	2,491,022	-	-	2,491,022	-	2,491,022
Total comprehensive income for the period	-	-	2,491,022	-	2,617,925	5,108,947	(2,343)	5,106,604
Transactions with owners in their capacity as owners								
Issue of share capital	74,520,966	-	-	-	-	74,520,966	-	74,520,966
Share issue costs	(2,381,203)	-	-	-	-	(2,381,203)	-	(2,381,203)
Share based payments	143,833	1,081,422	-	-	-	1,225,255	-	1,225,255
Option premium transferred in/(out)	1,298,543	(1,298,543)	-	-	-	-	-	-
Balance at 30 June 2010	154,559,636	4,728,204	2,260,995	-	47,032,600	208,581,435	(4,570)	208,576,865

The above Statement should be read in conjunction with the accompanying notes.

Statement of Cash Flows
For the year ended 30 June 2011

	Note	Consolidated 2011	Consolidated 2010
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		**16,583,517**	5,711,805
Payments to suppliers and employees		**(25,733,442)**	(14,987,328)
Interest received		**4,099,255**	2,037,898
Interest paid		**(180,317)**	(34,761)
Income tax paid		**-**	(14,700,583)
Net cash used in operating activities	18(b)	**(5,230,987)**	(21,972,969)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment - term deposit		**15,000,000**	(15,000,000)
Purchase of plant & equipment		**(1,697,925)**	(646,125)
Payment for exploration, evaluation and oil & gas properties		**(58,616,547)**	(59,518,047)
Payment for acquisition of subsidiary net of cash received	31(c)	**-**	(17,110,514)
Proceeds from disposal of discontinued operations	5	**1**	-
Final settlement of Gloucester sale		**-**	(1,050,712)
Proceeds from sale of equity investments		**1,833,620**	2,630,235
Proceeds from sale of assets		**94,458,933**	7,127,251
Net cash provided by/(used in) investing activities		**50,978,082**	(83,567,912)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from share issues		**58,891**	62,645,473
Payment for share buyback		**(3,382,414)**	-
Capital raising costs		**(77,009)**	(3,399,593)
Net cash provided by/(used in) financing activities		**(3,400,533)**	59,245,880
Net increase/(decrease) in cash held		**42,346,562**	(46,295,001)
Opening cash and cash equivalents		**65,693,358**	109,496,983
Effect of exchange rate changes		**(17,342,485)**	2,491,376
Closing cash and cash equivalents	18(a)	**90,697,436**	65,693,358

The above Statement should be read in conjunction with the accompanying notes.

Notes to the Financial Statements 30 June 2011

1. Corporate Information

Molopo Energy Limited (Molopo or the Company) is a company incorporated and domiciled in Australia. The consolidated financial report of the Company as at and for the year ended 30 June 2011 comprises the Company and its subsidiaries (together referred to as the Group).

Operations and Principal Activities

The Group's principal activities during the year continued to be petroleum production and investment in exploration, appraisal, development & production of oil and gas.

Registered Office and Principal Place of Business

Level 14, 31 Queen Street, Melbourne 3000.

2. Basis of Preparation

(a) Statement of Compliance

The Financial Report is a general purpose financial report that has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards (including Australian Accounting Interpretations) and other pronouncements of the Australian Accounting Standards Board (AASB). The consolidated Financial Report of the Group complies with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board (IASB).

The Financial Report was authorised for issue on the date of signing the Directors' Declaration.

(b) Basis of Measurement

The Financial Report has been prepared on a historical cost basis, except for equity investments, which have been measured at the lower of cost and fair value.

The Financial Report is presented in Australian dollars and rounded to the nearest one dollar.

(c) Significant Judgements and Key Assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following:

- **Unit-of-Production Method of Depreciation/Amortisation**

  The Group uses the unit-of-production basis when depreciating/amortising oil and gas property assets, as described in Note 3, which results in a depreciation/amortisation charge proportional to the depletion of the anticipated remaining life of well production. Each item's economic life, which is assessed annually, has due regard to both its physical life limitations and to present assessments of economically recoverable reserves of the producing well. These calculations require the use of estimates and assumptions.

- **Capitalisation of Exploration and Evaluation Costs**

  The application of the Group's accounting policy for exploration and evaluation assets, as described in Note 3, requires management to make certain estimates and assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of reserves will be found. As new information becomes available, any such estimates and assumptions may change.

- **Share Based Payments (excluding performance share rights)**

  The Group measures the cost of equity settled transactions with employees by reference to the fair value of equity instruments at the date at which they are granted. The fair value is determined using an option pricing model, using the assumptions detailed in Note 19.

- **Provision for Restoration**

  Significant judgement is required in determining the provision for restoration as there are many factors that will affect the ultimate liability payable to rehabilitate wells. Factors that will affect this liability include future disturbances caused by the drilling of further wells, changes in regulations, price increases and changes in discount rates. When these factors change or become known in the future, such differences will impact the provision for restoration in the period in which they change or become known.

- **Impairment of Non-Financial Assets**

  The Group assesses whether there are indicators of impairment for each cash-generating unit on a half-yearly basis. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made. These assessments require the use of estimates and assumptions such as discount rates, exchange rates, commodity prices, future operating development and sustaining capital requirements and operating performance. The carrying values are disclosed in Notes 9, 10 and 11.

- **Impairment of Financial Assets**

  In determining the amount of impairment of financial assets, the Group has made judgements in identifying financial assets whose decline in fair value below cost is considered "significant" or "prolonged". A significant decline is assessed based on the historical volatility of the share price.

  The higher the historical volatility, the greater the decline in fair value required before it is likely to be regarded as significant. A prolonged decline is based on the length of time over which the share price has been depressed below cost. A sudden decline followed by immediate recovery is less likely to be considered prolonged compared to a sustained fall of the same magnitude over a longer period.

- **Taxation**

  Judgement is required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the Statement of Financial Position. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

  Assumptions about the generation of future taxable profits and repatriation of retained earnings depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, operating costs, restoration costs, capital expenditure, and other capital management transactions. Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the Statement of Financial Position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the Statement of Comprehensive Income.

(d) New Accounting Standards and Interpretations

(i) Changes in Accounting Policy and Disclosures

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period beginning 1 July 2010.

2. Basis of Preparation continued

Those adopted are:

- AASB 9 Financial Instruments
- AASB 2009-5 Further amendments to Australian Accounting Standards arising from the Annual Improvements Process
- AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions [AASB 2]
- AASB 2009-9 Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards
- AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issue [AASB 132J]
- AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9.

Where the adoption of the Standard or Interpretation is deemed to have an impact on the financial statements or performance of the Group, its impact is described below:

- **AASB 9 – Financial Instruments**

  The Group has elected to early adopt AASB 9 'Financial Instruments', AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9' and AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)' from 1 July 2010.

  AASB 9 'Financial Instruments' specifies the classifying and measuring financial assets.

  The main changes in AASB 9 'Financial Instruments' compared with AASB 139 'Financial Instruments: Recognition and Management' are:

  (a) Financial assets are classified based on:

  (i) the objective of the entity's business model for managing the financial assets; and

  (ii) the characteristics of the contractual cash flows.

  This replaces the categories of financial assets in AASB 139, each of which had its own classification criteria.

  (b) AASB 9 allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment are recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.

  (c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

  As a result of the adoption of AASB 9 'Financial Instruments' by the Group from 1 July 2010, the current period impairments and gain on sale of equity instruments has resulted in a net after tax $28,280,747 being recorded as an investment fluctuation decrement in Other Comprehensive Income for the year ended 30 June 2011. Had the standard not been early adopted, this amount would have reduced profit for the period however there would be no impact on net assets or cash position. Also refer to Note 30 (f) for additional information.

  The transitional provisions of this standard require that financial impacts of the adoption of the new standard be made retrospectively. Molopo recorded an impairment loss in the profit and loss of $ 1,066,133 for the year ended 30 June 2010. The application of the standard in the prior period would have resulted in this impairment loss being recorded as a revaluation decrement in Other Comprehensive Income in the prior period with no change on net assets or cash position.

(ii) Standards and Interpretations Issued But Not Yet Effective

At the date of authorisation of the financial statements, the Standards and Interpretation listed below were on issue but not yet effective:

Reference	Title	Details of New Standard / Amendment / Interpretation	Impact on Group	Application date for the Group
AASB 124	Related Party Disclosures' (revised December 2009), AASB 2009-12 'Amendments to Australian Accounting Standards'	The main amendments simplify and clarify the intended meaning of the definition of a related party and provide a partial exemption for the discloser requirements of government related entities.	(i)	1 July 2011
AASB 2010-4	Further Amendments to Australian Accounting Standards arising from the 'Annual Improvements Project'	Amends a number of pronouncements as a result of the IASB's 2008-2010 cycle of improvements. Key amendment include: • Financial statement disclosures • Clarification of content of statement of changes in equity (AASB 101), financial instrument disclosures (AASB 7) and significant events and transactions in interim reports (AASB 134) • Interpretation 13 – fair value of award credits • AASB 1 accounting policy changes in year of adoption and amendment to deemed cost (revaluation basis, regulatory assets).	(i)	1 July 2011
AASB 2010-5	Amendments to 'Australian Accounting Standards'	This standard makes numerous editorial amendments to a range of Australian accounting Standards and interpretations, including amendments to reflect changes made to the text of IFRS by the IASB. These amendments have no major impact on the requirements of the amended pronouncements.	(i)	1 July 2011
AASB 2010-6	Amendments to Australian Accounting Standards – 'Disclosures on Transfers of Financial Assets'	Makes amendments to AASB 7 'Financial Instruments Disclosures ' resulting from the IASB's comprehensive review of off balance sheet activities. The amendments introduce additional disclosures, designed to allow users of financial statements to improve their understanding of transfer transactions of financial assets including understanding of the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfers transactions are undertaken around the end of a reporting period.	(ii)	1 July 2011

2. Basis of Preparation continued

Reference	Title	Details of New Standard/Amendment / Interpretation	Impact on Group	Application date for the Group
AASB 10	Consolidated Financial Statements	Requires a parent to present consolidated financial statements as those of a single economic entity, replacing the requirements previously contained in AASB 127 Consolidated and Separate Financial Statements. The Standard redefines and clarifies the notion of control that is the basis for determining which entities should be incorporated on a line-by-line basis into the consolidated financial statements of a group.	(ii)	1 July 2013
AASB 11	Joint Arrangements	Replaces AASB 131 Interests in Joint Ventures. Requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and then account for those rights and obligations in accordance with that type of joint arrangement. Joint arrangements are either joint operations or joint ventures. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint operators recognise their assets, liabilities, revenue and expenses in relation to its interest in a joint operation (including their share of any such items arising jointly). A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (joint venturers) have rights to the net assets of the arrangement. A joint venturer applies the equity method of accounting for its investment in a joint venture in accordance with AASB 128 Investments in Associates and Joint Ventures (2011). Unlike AASB 131, the use of 'proportionate consolidation' to account for joint ventures is not permitted.	(ii)	1 July 2013

Reference	Title	Details of New Standard/Amendment / Interpretation	Impact on Group	Application date for the Group
AASB 12	Disclosure of Interests in Other Entities	Requires the extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. Focuses on disclosures that would help users better assess the nature and financial effects of an entity's involvement with other entities, and particularly enhances disclosures about consolidated entities and unconsolidated (off balance sheet) structured entities.	(ii)	1 July 2013
AASB 128	Investments in Associates and Joint Ventures	This Standard supersedes AASB 128 Investments in Associates and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The Standard defines 'significant influence' and provides guidance on how the equity method of accounting is to be applied (including exemptions from applying the equity method in some cases). It also prescribes how investments in associates and joint ventures should be tested for impairment.	(ii)	1 July 2013
AASB 2011-7	Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards	This standard makes amendments to a number of other standards arising from the above new Consolidation and Joint Arrangements Standards.	(ii)	1 July 2013

(i) The adoption of the new standard, amendment or interpretation will not have a material impact on the Group's financial statements.

(ii) The Group has not yet determined the potential impact of the standard or amendment.

(e) Corporations Act 2001 Amendments

During the year ended 30 June 2011 there have been no material amendments to the *Corporations Act 2001* that the Group was required to adopt.

Notes to the Financial Statements
30 June 2011 continued

3. Significant Accounting Policies

(a) Principles of Consolidation

The consolidated accounts are those of the consolidated entity, comprising Molopo Energy Limited (the parent entity) and all subsidiaries that Molopo Energy Limited controlled from time to time during the financial year and at reporting date.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The accounts of the subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. All intercompany balances and transactions, and unrealised profits arising from intra-consolidated entity transactions, have been eliminated in full. Full details pertaining to all subsidiaries are provided in Note 22.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values.

Non-controlling interests are allocated their share of net profit after tax in the statement of comprehensive income and are presented within equity in the consolidated statement of financial position, separately from the equity of the owners of the parent. Losses are attributed to the non-controlling interest even if that results in a deficit balance.

A jointly controlled operation is a joint venture carried on by each venture using its own assets in pursuit of the joint operations. The consolidated financial statements include the assets that the Group controls, the liabilities that it incurs in the course of pursuing the joint operation, the expenses that the Group incurs and its share of income that it earns from the joint operation.

An associate is an entity over which the consolidated entity has significant influence. In the consolidated financial statements, investments in associates are accounted for using the equity method except when the investment is classified as held for sale, in which case it is measured at the lower of its carrying amount and fair value less costs to sell. The equity method is a method of accounting whereby the investment is initially recorded at cost and adjusted thereafter for the post acquisition change in the investor's share in net assets of the investee. The profit or loss of the investor includes the investor's share of the investee.

(b) Segment Reporting

The Group determined and presents operating segments (refer to Note 25) based on the information that is internally provided to the Board of Directors and the Executive Management Team (the chief operating decision makers).

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with any of the Group's other components) whose operating results are regularly reviewed by the entity's chief operating decision makers to make decisions about resources to be allocated to the segment, assess its performance and for which discrete financial information is available.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements. Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for "all other segments".

(c) Foreign Currency Translation

(i) Foreign Currency Transactions

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of consolidated financial statements, the results and financial position of each Group entity are expressed in Australian dollars, which is the presentation currency for the consolidated financial statements.

Transactions in foreign currencies on initial recognition in the functional currency are recorded by applying to the foreign currency amount the spot exchange rate at the date of the transaction.

At each balance sheet date:

- foreign currency monetary items are reported using the closing exchange rate;

- non-monetary items which are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items which are measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

Exchange rate differences arising on the settlement of monetary items or on translating monetary items at exchange rates different from those at which they were initially translated during the period, or in previous financial statements, are recognised in profit or loss in the period in which they arise, with the exception of exchange rate differences arising on a monetary item that forms part of the net investment in a foreign operation which are recognised initially in a separate component of equity and recognised in profit or loss on disposal of the net investment.

(ii) Foreign Operations

The following procedures are used in translating the results and financial position of foreign operations from their respective functional currencies to the Group's presentation currency (Australian dollars):

- assets and liabilities at the closing rate at the balance sheet date;
- income and expense items at average monthly exchange rates; and
- exchange rate variations resulting from the translation are recognised in the foreign currency translation reserve in equity.

(d) Cash and Cash Equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank, cash in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of any outstanding bank overdrafts. Bank overdrafts are included within interest-bearing loans and borrowings in current liabilities on the statement of financial position.

(e) Trade and Other Receivables

Trade receivables are recognised initially at fair value (original invoice amount), less allowance for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

Receivables from related parties are recognised and carried at amortised cost using the effective interest method.

(f) Investments and Other Financial Assets

Investments and financial assets are categorised as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or equity investments that are not held for trading. The classification depends on the purpose for which the investments were acquired or originated. Designation is re-evaluated at each reporting date, but there are restrictions on reclassifying to other categories. When financial assets are recognised initially, they are measured at fair value, plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

(i) Loans and Receivables

Loans are non-derivative financial assets with determinable payments that are not quoted in an active market. Loans are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired.

(ii) Equity investment: financial assets at fair value through other comprehensive income (FVTOCI)

On initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

3. Significant Accounting Policies continued

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the investments.

The Group has designated all investments in equity instruments that are not held for trading as at FVTOCI on initial application of AASB 9.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with AASB118 Revenue, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends earned are recognised in profit or loss and are included in the 'investment income' line item.

Refer to Note 30 for the fair value hierarchy applied to financial instruments. The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices (level 1) at the close of business on the reporting date.

(g) Plant and Equipment

Items of plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Depreciation is provided on a straight line basis on all field plant and equipment at rates calculated to allocate the cost or valuation, less estimated residual value at the end of the useful lives of the assets, over those estimated useful lives. Office equipment and furniture & fixtures are provided on a diminishing value basis.

The estimated useful lives for the current and comparative periods are as follows:

Plant & equipment	15 - 20 years
Office equipment	3 - 8 years
Furniture and fixtures	3 - 8 years
Motor vehicles	5 - 8 years

(h) Oil and Gas Properties

Oil and gas properties include oil and gas assets in development and predominantly in the production stage. Costs capitalised into this asset category include all costs directly associated with the drilling and completion of production wells. Costs arising from oil and gas property assets relating to an area of interest are carried forward to the extent that such costs, together with any costs arising from exploration and evaluation carried forward in respect of the area of interest, are expected to be recouped through successful exploitation of the area of interest, or alternatively, by its sale. Costs carried forward in respect of an area of interest that is abandoned are written off in the year in which the decision to abandon is made.

Amortisation of oil and gas properties is provided using the units-of-production method. The basis of amortisation adopted is applied consistently from financial period to financial period. The rate of amortisation does not lag behind the rate of depletion of the economically recoverable reserves in the area of interest. In calculating amortisation charges, economically recoverable reserves and any development costs still to be incurred are reassessed annually. Amortisation charges are treated as forming part of the cost of production. To the extent that costs carried forward have been fully amortised and relate to facilities physically abandoned or of no further use, those costs and the related accumulated amortisation are written off in the appropriate asset and accumulated amortisation accounts.

(i) Available-for-sale non-current assets

Non-current assets and disposal groups are classified as available-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as available-for-sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as available-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

(j) Exploration and Evaluation Assets

Costs arising from exploration and evaluation activities are carried forward as an asset, when they are incurred in relation to separate areas of interest for which rights of tenure are current and in respect of which:

(a) The costs are expected to be recouped through the successful development and exploitation of economically-recoverable reserves, or alternatively, through the sale of the area of interest; or

(b) Exploration activities in the areas have not reached a stage that permits an assessment of the existence or otherwise of economically recoverable reserves, and significant operations in, or in relation to, the areas are continuing.

Such expenditure consists of direct net exploration and evaluation costs incurred by or on behalf of the Group, together with an appropriate portion of directly related overhead expenditure.

Included within exploration and evaluation assets are intangible exploration rights, which comprise identifiable exploration and evaluation assets acquired as part of a business combination and are recognised at fair value at date of acquisition. Exploration rights are attributable to specific areas of interest.

When a decision is made to develop and produce from an area of interest, all past exploration and evaluation expenditure in respect of that area of interest is transferred to oil and gas property assets, where it is amortised over the life of the area of interest to which they relate on a unit-of-production basis.

When an area of interest is abandoned or the Directors decide it is not commercial, any accumulated costs in respect of that area are written off in the year the decision is made. Each area of interest is reviewed at the end of each reporting period and accumulated costs written off to the extent they are not expected to be recoverable in the future (i.e. considered impaired).

(k) Leased Assets

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset.

Other leases are operating leases and are not recognised in the Group's statement of financial position.

(l) Trade and Other Payables

Liabilities for trade creditors and other payables are carried at cost, which is the fair value of the consideration to be paid in the future for the goods and services received, whether or not billed to the consolidated entity. Due to their short term nature they are not discounted. The amounts are unsecured and usually paid within 30 days of recognition.

Payables to related parties are recognised and carried at the nominal amount. Interest is not taken up as income on any related party payables.

(m) Employee Benefits

(i) Wages, Salaries, Annual Leave and Sick Leave

Liabilities for wages and salaries and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

3. Significant Accounting Policies continued

(ii) Long Service Leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(iii) Defined Contribution Superannuation Plan

Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in the periods during which the services are rendered by employees.

(iv) Share Based Payments (excluding performance share rights)

The Group provides benefits to employees (including Executive Directors) in the form of share based compensation, whereby employees render services in exchange for share options ('equity-settled transactions'). The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using an option pricing model, further details of which are given in Note 19.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the statement of comprehensive income is the product of:

(a) the grant date fair value of the award;

(b) the current best estimate of the number of awards that will vest; and

(c) the expired portion of the vesting period.

The charge to the statement of comprehensive income for the period is the cumulative amount as calculated above less the amounts already charged in previous periods.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

(n) Provision For Rehabilitation

The Group recognises the present value of the estimated cost of legal and constructive obligations to restore operating locations in the period in which the obligation is incurred. Typically the obligation arises when the ground/environment is disturbed at the well location and is calculated on a site by site basis with reference to the actual work required.

When the liability is initially recorded, the present value of the estimated cost is capitalised by increasing the carrying amount of the related oil and gas property asset. Over time, the discounted liability is increased for the change in the present value based on the discount rates that reflect the current market assessments and the risks specific to the liability. Additional disturbances or changes in rehabilitation costs will be recognised as additions or changes to the corresponding asset and rehabilitation liability when incurred.

The unwinding of the effect of discounting the provision is recorded as a finance cost in the statement of comprehensive income. The carrying amount capitalised as a part of oil and gas properties is depreciated/amortised over the life of the related well.

(o) Issued Capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(p) Revenue Recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Gas Sales

Gas typically leaves the Group's compressor and enters into the Dawson Valley Pipeline ("DVP"). If gas is required to be transported through the DVP, at the point where gas is transferred from the compressor to the DVP, risk in the gas is passed to the owner of the pipeline ("transporter") who has an obligation, subject to unforeseen circumstances occurring, to deliver this gas at the other end of this pipeline.

At the other end of the DVP, if gas is required to be transported to Gladstone, the gas then enters into the Jemena Pipeline where, similarly, risk in the gas is passed to the owner of this pipeline, who has an obligation, subject to unforeseen circumstances occurring, to deliver this gas at the other end of the Jemena pipeline.

Depending on the particular gas sales agreement between the Group and its customer, the delivery point (and time of revenue recognition) is either where the compressor meets the DVP, or where the DVP joins the Jemena pipeline.

(ii) Oil Sales

Sales of oil relate to on-shore oil production in Canada. Emulsion (water and oil) is produced directly from the oil wells and until the emulsion is treated at a battery, there is no saleable product. Once the emulsion is treated, the oil is sold to third parties at the battery site. Revenue from oil sales is recognised when title and the risks and rewards of ownership have been transferred to the customer at the battery site.

(iii) Interest

Interest revenue is recognised on an accrual basis using the effective interest rate method.

(q) Income Tax

(i) Income Tax

Income tax expense is comprised of current and deferred tax. Current and deferred taxes are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences:

- the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- differences relating to investments in subsidiaries and associates and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for deductible temporary differences and carry-forward unused tax losses and unused tax credits, to the extent that it is probable that taxable amounts will be available against which the deductible temporary differences, carry-forward unused tax losses and unused tax credits can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable amounts will be available to allow all or part of the deferred tax asset to be utilised. Deferred tax assets may be subsequently recognised or past reductions reversed to the extent that it becomes probable that there will be sufficient taxable amounts to utilise the deferred tax asset.

3. Significant Accounting Policies continued

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(ii) Tax Consolidation Legislation

The Company and all its wholly-owned Australian resident entities, and Molopo Queensland LLC, are part of a tax-consolidated group under Australian taxation law. As a consequence, all members of the tax-consolidated group are taxed as a single entity. Molopo Energy Limited is the head entity within the tax-consolidated group. Tax expense/income, deferred tax assets and deferred tax liabilities arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under consolidation. Current tax assets and liabilities and deferred tax assets and liabilities arising from unused tax losses and relevant tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity of the tax-consolidated group).

(iii) Tax Funding Arrangement

The head entity, in conjunction with other members of the tax-consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. Amounts are recognised as payable to or receivable by the head entity and each member of the group in relation to any tax liability/asset assumed by the head entity.

(r) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

(i) where the GST incurred on a purchase of goods is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as an expense item as applicable; and

(ii) receivables and payables are stated with the amount of the GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(s) Earnings Per Share

Basic earnings per share (EPS) is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

(t) Impairment of Assets

(i) Non-Financial Assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is an indicator of impairment. The Group conducts an annual internal review of asset values at each reporting period, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected economic conditions, are also monitored to assess for indicators of impairment.

If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units, CGU).

An impairment loss is recognised for the amount by which the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the profit or loss. Impairment losses in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit in a pro-rata basis. Non-financial assets other than goodwill that suffered impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

4. Revenue and Other Income

	Consolidated	
	2011	2010
	$	$
REVENUE FROM OPERATING ACTIVITIES		
Proceeds from the sale of gas produced	**1,461,871**	1,170,014
Proceeds from the sale of oil produced	**12,690,279**	4,922,149
	14,152,150	6,092,163
OTHER REVENUE		
Interest revenue	**1,597,121**	3,731,547
Sundry income	**302,852**	572,551
Refundable tax credit for Canadian resources	**-**	644,786
	1,899,973	4,948,884
Total revenues	**16,052,123**	11,041,047
OTHER INCOME		
Net gain on disposal of associate[1]	**-**	6,257,492
Net gain on disposal of interest in PEL 426 & PEL 13[2]	**-**	7,778,848
Net gain on sale of Spearfish oil asset[3]	**138,434,283**	-
	138,434,283	14,036,340

Notes:

1. *On 23 November 2009 the Group completed the sale of its non-operating interest in Liulin, Shanxi Province, China, to Fortune Oil for US$6 million. The Group received US$4 million in cash and US$2 million equivalent in Fortune Oil Plc shares.*
2. *On 3 December 2009 the Group completed the sale of its non-operated interests in the Clarence Moreton Basin (PEL 426 & PEL 13), NSW, to Metgasco Limited. The Group received $3 million in cash and the balance in Metgasco Limited shares. At the date of settlement the value of the Metgasco Limited shares received was $5,312,673. The carrying value of the Group's interest in PEL 426 and PEL 13 was $533,825, resulting in a gain on disposal of $7,778,848. There is an embedded derivative in the 2nd tranche of shares held in escrow but it is closely related to the underlying asset and therefore is not separated.*
3. *On 1 March 2011 the Group completed the sale of its Spearfish oil asset, to Legacy Oil + Gas Inc ('Legacy'). The Group received $98.0 million in cash (of which $3.6 million will be settled with the final statement of adjustment in September 2011) and 6,180,000 Legacy shares. At the date of settlement the value of the Legacy shares received was $104.4 million. The carrying value of the Group's Spearfish oil asset was $64.0 million, resulting in a gain on disposal of $138.4 million.*

Notes to the Financial Statements 30 June 2011 continued

5. Expenses and Losses/(Gains)

	Consolidated	
	2011	2010
	$	$
EXPENSES		
Amortisation of non-current assets[1]	**6,973,639**	3,966,471
Impairment - exploration assets[2]	**7,171,825**	-
Depreciation of non-current assets:		
- Office furniture & equipment	**143,081**	86,106
- Mining plant & equipment	**316,821**	271,419
	459,902	357,525
TSX listing expenses[3]	**2,000,589**	-
Director and employee benefits expenses		
Salaries and wages	**7,842,122**	5,551,188
Superannuation	**336,165**	271,391
Workcover	**36,753**	32,562
Payment on cessation of employment	**1,067,855**	-
Spearfish bonus	**1,441,957**	-
	10,724,852	5,855,141
Share based payments	**1,071,869**	1,225,255
Total director and employee benefits expenses	**11,796,721**	7,080,396
LOSSES/(GAINS)		
Realised foreign exchange (gain)/loss	**872,668**	2,405
Unrealised foreign exchange (gain)/loss	**1,262**	(355)
Net loss on disposal of shares and other investments	**115,166**	-

Notes:

1. *A majority of the additional amortisation is due to higher production, predominately in Canada, which were then disposed of in Spearfish sale.*
2. *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 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. Based on the above 3 year moratorium, which halts any exploration over the short term, and on a fair value assumption of nil due to uncertainty of any future benefit, the decision was made that this asset is fully impaired and should be written down to zero. The assets were impaired by $7,171,825.*
3. *On 29 November 2010, Molopo announced its intention to conduct an initial public offering ("IPO") of its wholly-owned subsidiary, Molopo Energy Canada Ltd in North America and filed a preliminary prospectus with the relevant securities regulatory authorities in Canada. The IPO did not proceed following the sale of the Spearfish asset to Legacy Oil + Gas Inc. The expenses associated with this were $2,000,589.*

Discontinued Operations

Molopo's participation in a project with Coal India Limited was reviewed as part of the Strategic Validation Exercise. Following the outcome of this review, the Company has ceased its India operations and closed its India office in April, 2011.

On 15 April 2011 Molopo Energy Limited sold its wholly owned subsidiary Molopo Energy India Private Limited.

The segment was not a discontinued operation or classified as held for sale as at 30 June 2010 and the comparative statement of comprehensive income has been re-presented to show the discontinued operation separately from continuing operations.

	Consolidated	
	2011	2010
	$	$
RESULTS OF DISCONTINUED OPERATION		
Revenue	**164,776**	29,253
Expenses	**(164,776)**	(52,683)
Results from operating activities	**-**	(23,430)
Income tax	**-**	-
Results from operating activities, net tax	**-**	(23,430)
Loss on sale of discontinued operation	**(2,799)**	-
Income tax on loss on sale of discontinued operation	**-**	-
Loss for the year	**(2,799)**	(23,430)
CASH FLOWS FROM (USED IN) DISCONTINUED OPERATIONS		
Net cash used in operating activities	**(136,843)**	(34,985)
Net cash from investing activities	**(6,265)**	2,957
Net cash from financing activities	**(120,502)**	5,843
Net cash flows for the year	**(263,610)**	(26,185)

	2011
	$
EFFECT OF DISPOSAL ON THE FINANCIAL POSITION OF THE GROUP	
Trade and other receivables	**(19,084)**
Property, plant and equipment	**(7,708)**
Trade and other payables	**-**
Net assets and liabilities	**(26,792)**
Consideration received	**(1)**
Cash and cash equivalents disposed of	**13,919**
Net cash outflow	**13,918**

6. Income Tax

	Consolidated	
	2011	2010
	$	$
(a) Income tax expense		
Current income tax	**15,566,315**	(6,362,705)
Adjustments for prior periods	**1,429,528**	87,463
	16,995,843	(6,275,242)
Deferred tax expense		
Origination and reversal and recognition of temporary differences	**10,086,030**	4,422,640
Recognition of previously unrecognised tax losses	**-**	72,732
Total income tax (benefit)/expense	**27,081,873**	(1,779,870)
Attributable to:		
- Income tax (benefit)/expense from continuing operations	**27,081,873**	(1,779,870)
- Income tax on gain on sale of discontinued operation	**-**	-
Total income tax (benefit)/expense	**27,081,873**	(1,779,870)
(b) Reconciliation between tax (benefit)/expense and pre-tax accounting profit		
Profit/(Loss) from continuing operation	**111,506,788**	859,142
Profit from discontinued operation	**(2,799)**	(23,430)
Profit before income tax	**111,503,989**	835,712
Prima facie tax on profit at 30% (2010: 30%)	**33,451,197**	250,714
Tax effect of items which are not deductible/(taxable) for income tax purposes:		
- Non assessable gain on disposal	**(134)**	(1,664,135)
- Assessable gain on disposal	**3,907,544**	-
- Non deductible loss on disposal	**-**	(82,544)
- Concessional R & D claim	**(178,067)**	(1,312,500)
- Non deductible expenses	**1,345,427**	58,761
- Deductions available under s40-880 of ITAA 1997	**(463,392)**	-
- Share based payments	**79,638**	337,861
- Unrealised gain	**379**	-
- Capital losses not recognised	**-**	701,037
- Losses in overseas jurisdictions not recognised	**156,678**	1,176,051
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(3,503,700)**	-
Effect of previously unrecognised and deductible temporary differences now recognised as deferred tax assets	**(6,288,253)**	(1,405,310)
Recognition of previously unrecognised tax losses	**(2,854,972)**	-
Adjustments recognised in the current year in relation to the current and deferred tax of prior years	**1,429,528**	160,195
Income tax (benefit)/expense	**27,081,873**	(1,779,870)

	2011			2010		
	Before tax	Tax (expenses) benefit	Net of tax	Before tax	Tax (expenses) benefit	Net of tax
	$	$	$	$	$	$
(c) Income tax recognised in other comprehensive income						
FOR THE YEAR ENDED 30 JUNE						
Foreign currency translation	**(21,916,910)**	**1,311,689**	**(20,605,221)**	2,491,022	-	2,491,022
Investment fluctuation reserves:						
Shares held in Legacy	**(30,389,835)**	**2,640,322**	**(27,749,513)**	-	-	-
Shares held in Metgasco Ltd	**(1,079,695)**	**323,908**	**(755,787)**	(1,066,133)	-	(1,066,133)
Profit on sale of other investments	**224,687**	**(134)**	**224,553**	-	-	-
Transfer of impairment to expenses	-	-	-	1,066,133	-	1,066,133
	(31,244,843)	**2,964,096**	**(28,280,747)**			
	(53,161,753)	**4,275,785**	**(48,885,968)**	2,491,022	-	2,491,022

Tax Consolidation

Molopo Energy Limited and its 100% resident subsidiaries and Molopo Queensland LLC (USA) formed a tax consolidated group with effect from 1 July 2003. Molopo Energy Limited is the head entity of the tax consolidated group. Members of the tax consolidated group have entered into a tax sharing agreement that provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of default is remote.

7. Trade and Other Receivables

	Consolidated	
	2011	2010
	$	$
Trade receivables	**875,132**	1,527,264
Cash calls receivable from JV partners	**-**	1,547,650
Interest and other receivables	**3,719,975**	3,563,313
Prepayments	**307,350**	1,074,149
Exploration expenditure tax receivable (Canada)	**-**	663,684
GST and VAT credits	**434,330**	1,875,569
	5,336,787	10,251,629

The Group's exposure to credit and currency risk and impairment losses to trade and other receivables are disclosed in Note 30.

8. Available-For-Sale Non Financial Assets

In line with the Group's strategy announced in April, Molopo commenced the development of monetisation options of non-core assets. The Group's Queensland gas assets and liabilities have been reclassified as available-for-sale. Efforts to sell the assets have commenced, and a sale is expected by 31 December 2011. As at 30 June 2011 the carrying value comprised assets of $61,854,327 less liabilities of $556,020.

	Note	Consolidated	
		2011	2010
		$	$
AVAILABLE-FOR-SALE NON FINANCIAL ASSETS			
Property, plant & equipment	9	**4,068,792**	-
Oil and gas properties	10	**40,589,530**	-
Exploration and evaluation assets	11	**17,196,005**	-
		61,854,327	-
LIABILITES ASSOCIATED WITH AVAILABLE-FOR-SALE NON FINANCIAL ASSETS			
Trade and other payables		**556,020**	-
		556,020	-

9. Plant and Equipment

Consolidated	Furniture & fixtures	Office equipment	Plant & equipment	Total
	$	$	$	$
AT 30 JUNE 2009				
Gross carrying amount	16,187	406,219	3,520,803	3,943,209
Accumulated depreciation	(2,637)	(204,564)	(730,253)	(937,454)
Net book value	13,550	201,655	2,790,550	3,005,755
Year ended 30 June 2010				
Opening net book value	13,550	201,655	2,790,550	3,005,755
Additions	29,079	155,217	419,537	603,833
Additions - business combination (Note 31)	21,238	14,762	-	36,000
Depreciation charge	(6,068)	(83,167)	(296,817)	(386,052)
Net exchange difference	3,790	5,689	(2,310)	7,169
Closing net book value	61,589	294,156	2,910,960	3,266,705
AT 30 JUNE 2010				
Gross carrying amount	70,293	581,887	3,938,030	4,590,210
Accumulated depreciation	(8,704)	(287,731)	(1,027,070)	(1,323,505)
Net book value	61,589	294,156	2,910,960	3,266,705
Year ended 30 June 2011				
Opening net book value	**61,589**	**294,156**	**2,910,960**	**3,266,705**
Additions	**12,285**	**139,365**	**1,546,274**	**1,697,924**
Disposal of assets	**(1,103)**	**(8,828)**	**-**	**(9,931)**
Depreciation charge[1]	**(12,659)**	**(132,230)**	**(335,771)**	**(480,660)**
Assets transferred to available-for-sale non financial assets (Note 8)	**-**	**(414)**	**(4,068,378)**	**(4,068,792)**
Assets transferred to exploration and evaluation assets	**-**	**(829)**	**(26,815)**	**(27,644)**
Net exchange difference	**(6,892)**	**(35,426)**	**17,691**	**(24,627)**
Closing net book value	**53,220**	**255,794**	**43,961**	**352,975**
AT 30 JUNE 2011				
Gross carrying amount	**73,646**	**487,747**	**99,017**	**660,410**
Accumulated depreciation	**(20,426)**	**(231,953)**	**(55,056)**	**(307,435)**
Net book value	**53,220**	**255,794**	**43,961**	**352,975**

Note:

1. *Of this expense, $20,256 (2010: $27,309) has been capitalised to exploration expenditure, and $502 (2010: NIL) has been recorded in discontinued operations.*

10. Oil and Gas Properties

	Consolidated	
	2011	2010
	$	$
Cost	**113,952,592**	87,529,148
Accumulated amortisation	**(14,799,247)**	(8,470,753)
Disposals	**(58,563,815)**	-
Assets transferred to available-for-sale non financial assets	**(40,589,530)**	-
	-	79,058,395
Carrying amount at 1 July	**79,058,395**	22,684,135
Additions - Spearfish oil asset (disposed during the reporting period)	**32,265,631**	33,826,996
Additions - other oil & gas assets	**2,578,494**	18,234,559
Additions - business combination (Note 31)	**-**	7,461,704
Amortisation charge	**(6,328,493)**	(3,943,599)
Disposals	**(58,563,815)**	-
Assets transferred to available-for-sale non financial assets (Note 8)	**(40,589,530)**	-
Net exchange difference	**(8,420,682)**	794,600
Carrying amount at 30 June	**-**	79,058,395

11. Exploration and Evaluation Assets

Cost	**46,298,662**	50,834,474
Carrying amount at 1 July	**50,834,474**	19,986,714
Additions	**22,477,728**	3,522,062
Exploration rights acquired - at cost (Note 31)	**-**	21,545,446
Acquisition of oil & gas properties in exploration phase (Note 31)	**-**	3,271,010
Asset write-off	**(7,171,825)**	-
Assets transferred to available-for-sale non financial assets (Note 8)	**(17,196,005)**	-
Net exchange difference	**(2,645,710)**	2,509,242
Carrying amount at 30 June	**46,298,662**	50,834,474

The ultimate recoupment of costs carried forward for exploration and evaluation activities is dependent on the successful development and commercial exploitation or sale of the respective area.

12. Deferred Tax Assets and Liabilities

Recognised Deferred Tax Assets and Liabilities

At 30 June 2011 the Group has recognised in the balance sheet a net Deferred Tax Liability of $8,333,334.

Deferred Tax Assets and Liabilities are attributable to the following:

	Assets		Liabilities		Net	
Consolidated	2011	2010	2011	2010	2011	2010
	$	$	$	$	$	$
Receivables	**-**	-	**(16,189)**	(762,729)	**(16,189)**	(762,729)
Prepayments	**-**	-	**(28,119)**	-	**(28,119)**	-
Production costs (at cost)	**-**	-	**(11,096,758)**	(10,071,236)	**(11,096,758)**	(10,071,236)
Exploration and evaluation assets	**-**	-	**(12,967,893)**	(3,045,318)	**(12,967,893)**	(3,045,318)
Intangible exploration rights	**-**	-	**(1,172,078)**	(1,172,078)	**(1,172,078)**	(1,172,078)
Payables	**12,600**	27,000	**-**	-	**12,600**	27,000
Provisions	**349,345**	150,313	**-**	-	**349,345**	150,313
Recognised tax losses	**11,526,342**	7,768,015	**-**	-	**11,526,342**	7,768,015
Other	**6,775,332**	1,343,821	**(1,715,916)**	-	**5,059,416**	1,343,821
Net tax assets/(liabilities)	**18,663,619**	9,289,149	**(26,996,953)**	(15,051,361)	**(8,333,334)**	(5,762,212)

Unrecognised Deferred Tax Assets

In relation to foreign subsidiaries in South Africa and USA, deferred tax assets arising from tax losses have not been recognised.

Franking Account Balance

	Consolidated	
	2011	2010
	$	$
The balance of the Company's franking account is a franking credit balance of:	**14,700,582**	14,700,582

13. Payables

	Consolidated	
	2011	2010
	$	$
Trade creditors	**1,724,589**	5,405,789
Other creditors & accruals	**1,632,871**	5,228,633
GST & withholding tax payable	**93,419**	64,883
	3,450,879	10,699,305

Terms & conditions:
Trade creditors are non-interest bearing and are normally settled on 30 day terms.

14. Provisions

	Consolidated	
	2011	2010
	$	$
CURRENT		
Employee entitlements	**393,957**	415,278
Provision for restoration	**-**	-
	393,957	415,278
NON CURRENT		
Employee entitlements	**109,093**	74,944
Provision for restoration	**265,670**	1,594,665
	374,763	1,669,609
Provision for restoration (current)		
Opening balance	**-**	200,000
Additional restoration provision	**-**	-
Well rehabilitation disposed[1]	**-**	(200,000)
Closing balance	**-**	-
Provision for restoration (non current)		
Opening balance	**1,594,665**	241,647
Assumed in a business combination (Note 31)	**-**	535,167
Additional restoration provision[2]	**1,005,983**	889,971
Accretion	**32,502**	-
Well rehabilitation disposed (Note 4)	**(1,642,713)**	-
Liabilities transferred to available-for-sale non financial assets (Note 8)	**(539,699)**	-
Finance costs[3]	**(16,691)**	(72,120)
Net exchange difference	**(168,377)**	-
Closing balance	**265,670**	1,594,665

Notes:

1. *Due to the sale of the non-operating interest in Liulin, Shanxi Province, China, $200,000 in restoration costs have been disposed.*
2. *Additional restoration due to new wells drilled predominantly in Canada.*
3. *Due to the change in accounting estimates on the restoration depths of the Queensland wells, the finance costs associated with restoration provisions have been reduced by $72,120 in 2010.*

The provision for restoration costs are specific estimates of costs the Group is likely to incur on a per well basis. The nature of restoration costs anticipated to be incurred include rig hire costs, cement costs for plugging wells, earthworks costs and general landscaping costs. The estimated costs of rehabilitating each well are indexed for inflation over the projected life of each well. The resultant estimates are then discounted back to their present value using a risk free rate. These estimates take into account the depths of each individual well drilled to date.

15. Share Capital

	Consolidated	
	2011	2010
	$	$
(a) Issued and paid-up capital		
Ordinary shares fully paid	**153,826,171**	154,415,803
(b) Unissued capital		
Ordinary shares	**-**	143,833
(c) Movements in shares on issue		
Balance at beginning of the year	**154,415,803**	80,977,497
Shares issued to the shareholders Brink Energy Ltd	**-**	8,083,828
Shares issued to shareholders of The Bakken Company	**-**	2,469,450
Shares issued to Captus Partners Ltd	**-**	192,000
Options exercised at a price of $0.25	**-**	75,000
Options exercised at a price of $0.375	**-**	37,500
Shares issued to former shareholders of The Bakken Company upon exchange of exchangeable shares on 30-Sep-09	**-**	3,128,383
Options exercised at a price of $0.25	**-**	50,000
Options exercised at a price of $0.375	**-**	56,250
Shares issued under the equity raising - Institutional Placement	**-**	31,500,000
Shares issued under the equity raising - Institutional Entitlement Offer	**-**	4,453,560
Shares issued under the equity raising - Retail Entitlement Offer	**-**	24,132,158
Options exercised at a price of $0.21	**-**	83,709
Options exercised at a price of $0.335	**-**	133,708
Options exercised at a price of $0.21	**-**	41,854
Options exercised at a price of $0.335	**-**	83,567
Shares issued to executives	**143,833**	-
Shares issued to employee on prior year bonus	**19,131**	-
Options exercised at a price of $0.334	**33,427**	-
Options exercised at a price of $0.509	**25,464**	-
Unmarketable parcels buyback - cancellation of shares	**(96,030)**	-
On market share buyback - cancellation of shares	**(3,531,724)**	-
Option premium reserve transferred in	**2,891,151**	1,298,543
Less cost of capital raising	**(74,884)**	(2,381,204)
	153,826,171	154,415,803

15. Share Capital continued

	Consolidated	
	2011	2010
	No.	No.
(d) Share capital movement		
On Issue 1 July 2010	**250,665,548**	182,850,415
Issued for cash	**-**	55,144,429
Issued for no consideration	**157,036**	-
Issued as part of business acquistions	**-**	10,670,704
Exercise of share options	**150,000**	2,000,000
Cancellation of shares	**(4,746,855)**	-
On Issue 30 June 2011	**246,225,729**	250,665,548

(e) Terms and Conditions of Contributed Equity

At 30 June 2011 there are 246,225,729 ordinary fully paid shares on issue (30 June 2010: 250,665,548). The Company has unlimited authorised capital with no par value. Ordinary shares entitle the holder to the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

(f) Share Options

In relation to options over ordinary shares refer to Note 19 for full details of the unlisted Employee Incentive Options held at the end of the financial year.

(g) Performance Share Rights Approved

On 30 June 2011 the Board approved the offering of performance share rights to all employees and executives as a one-off award to bridge the gap created in adopting a new employee incentive scheme, in light of the fact that any long-term incentive would not be eligible for vesting for three years. One third of the performance share rights awarded to each employee or executive will vest on each of 30 June 2012, 30 June 2013 and 30 June 2014 provided the relevant employee or executive meets certain performance criteria in respect of each tranche and either remains an employee of the Company or is otherwise deemed to be a 'good leaver'.

16. Reserves

	Option premium reserve	Foreign currency translation reserve	Investment fluctuation reserve	Total
	$	$	$	$
AT 1 JULY 2010	**4,728,204**	**2,260,995**	**-**	**6,989,199**
Adjustment for previous period[1]	**-**	**-**	**(1,066,133)**	**(1,066,133)**
Other comprehensive income	**-**	**(20,605,221)**	**(28,280,747)**	**(48,885,968)**
Share based payments	**1,047,677**	**-**	**-**	**1,047,677**
Option premium transferred out	**(2,891,151)**	**-**	**-**	**(2,891,151)**
BALANCE AT 30 JUNE 2011	**2,884,730**	**(18,344,226)**	**(29,346,880)**	**(44,806,376)**
AT 1 JULY 2009	4,945,325	(230,027)	-	4,715,298
Other comprehensive income	-	2,491,022	-	2,491,022
Share based payments	1,081,422	-	-	1,081,422
Option premium transferred in/(out)	(1,298,543)	-	-	(1,298,543)
BALANCE AT 30 JUNE 2010	4,728,204	2,260,995	-	6,989,199

Option Premium Reserve

The option premium reserve comprises all vested but not exercised options.

Foreign Currency Translation Reserve

The foreign currency translation reserve comprises all foreign currency differences, net of any tax, arising from the translation of the financial statements of foreign operations. During the financial year significant variations between the Australian dollar and the Canadian and USA dollar caused an increase in the currency translation reserve.

Investment Fluctuation Reserve

The investment fluctuation reserve comprises both market and currency movements and all present impairments or gains and losses on investments in equity instruments that are not held for trading. Dividends earned from such investments are recognised in profit or loss unless dividends clearly represent a recovery of part of the cost of the investment.

	Previous period[1]	Profit on sale	Impairment Note 30(f)	Tax (expenses) benefit	Net of tax
	$	$	$	$	$
FOR THE YEAR ENDED 30 JUNE 2011					
Shares held in Legacy Oil + Gas Inc.	**-**	**-**	**(30,389,835)**	**2,640,322**	**(27,749,513)**
Shares held in Metgasco Ltd	**-**	**-**	**(1,079,695)**	**323,908**	**(755,787)**
Other investments	**(1,066,133)**	**224,687**	**-**	**(134)**	**(841,580)**
	(1,066,133)	**224,687**	**(31,469,530)**	**2,964,096**	**(29,346,880)**

Note 1: The Group has early adopted AASB 9 Financial Instruments (2009) with a date of initial application 1 July 2010, and reclassified $1,066,133 impairment on an investment not held for trading from retained profits to the investment fluctuation reserve.

Notes to the Financial Statements 30 June 2011 continued

17. Credit Facility

The Group has a credit facility in place however as no security was provided the credit available at 30 June 2011 was nil.

18. Cash Flow Statement

	Consolidated	
	2011	2010
	$	$
(a) Reconciliation of cash		
Cash balance comprises:		
- Cash at bank	**90,512,239**	24,386,749
- Short-term deposits	**185,197**	41,306,609
Closing cash balance	**90,697,436**	65,693,358
(b) Reconciliation of the operating profit after tax to the net cash flows from operations		
Profit after tax	**84,422,116**	2,615,582
NON-CASH ITEMS		
(Profit)/loss on sale of financial assets	**-**	26,101
(Profit)/loss on sale of fixed assets	**2,223**	-
(Profit)/loss on sale of assets and areas of interest	**(138,319,117)**	(14,036,340)
(Profit)/loss on sale of controlled entity	**71,791**	-
Amortisation of oil and gas properties	**6,973,639**	3,966,471
Depreciation plant and equipment	**460,404**	357,865
Unrealised foreign exchange (gains)/losses	**15,175**	(355)
Share based payments	**1,071,869**	1,225,255
Impairment of equity investments	**-**	1,066,133
Impairment expense of exploration assets	**7,171,825**	-
Non cash expense/(income)	**(44,088)**	(384,795)
ADJUST FOR CHANGES IN ASSETS AND LIABILITIES		
(Increase)/decrease in trade and sundry debtors	**4,970,827**	(3,780,410)
(Increase)/decrease in prepayments	**879,981**	(492,379)
Increase/(decrease) in trade and sundry creditors	**(828,542)**	562,724
Increase/(decrease) in accruals	**842,899**	2,974,657
Increase/(decrease) in employee entitlements	**12,828**	94,299
Increase/(decrease) in restoration	**(16,691)**	(72,120)
Increase/(decrease) in current tax liability	**20,729,997**	(14,613,120)
Increase/(decrease) in deferred tax liabilities	**6,351,877**	(1,482,537)
Net cash flows used in operating activities	**(5,230,987)**	(21,972,969)

19. Share Based Payments

(a) Employee Option Scheme

The Group has an ownership-based compensation scheme for employees (including Directors). In accordance with the provisions of the scheme, the consolidated entity's key management personnel together with other members of the executive team may be granted options to purchase parcels of ordinary shares at an exercise price which is determined by the Remuneration and Nomination Committee at the time the option is granted. The options cannot be transferred and are not quoted on the ASX.

Each employee share option converts into one ordinary share of the Company on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The number of options granted is recommended by the CEO and approved by the Remuneration and Nomination Committee. Major factors which determine the number of options granted comprise the extent of the Group's and the individual's achievements, and the level of seniority of the individual.

Generally the options granted expire three or five years from the date that they are granted, or six months after the resignation of the employee, whichever is earlier.

A new incentive scheme was introduced in June and July 2011. Options granted under the old scheme, not yet expired, can be exercised under the original terms under which they were granted. Although the employee option scheme is still in place, it is anticipated that the new incentive scheme will be the predominant scheme used.

The following table reconciles the outstanding share options granted under the employee share option plan at the beginning and end of the financial year:

	2011		2010	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
	No.	$	No.	$
Balance at beginning of the financial year	**7,763,087**	**$1.58**	7,003,087	$1.19
Granted during the financial year	**670,002**	**$1.02**	3,363,000	$1.44
Forefeited or lapsed during the financial year	**(3,283,087)**	**$1.68**	(603,000)	$1.20
Exercised during the financial year	**(150,000)**	**$0.39**	(2,000,000)	$0.28
Balance at end of the financial year	**5,000,002**	**$1.36**	7,763,087	$1.58
Exercisable at end of the financial year	**4,380,000**		5,003,087	

Exercise Price Range

The share options outstanding at the end of the financial year have an exercise price in the range of $0.33 to $1.84 (2010: $0.33 to $2.04).

Weighted Average Remaining Contractual Life

The weighted average remaining contractual life of the share options outstanding at 30 June 2011 is 1.39 years (2010: 1.54 years).

Weighted Average Fair Value

The weighted average fair value of options granted during the year was $0.57 (2010: $0.60).

19. Share Based Payments continued

Modification of Employee Share Option Awards – Option Repricing

Under the terms and conditions of the employee incentive scheme, outstanding options as at 22 April 2010, were re-priced as a result of the Equity Raising completed in April 2010. The re-pricing represents a modification of employee share option awards under AASB 2 Share-based payment. The re-pricing was undertaken using the Black Scholes pricing model to determine the fair value as at 22 April 2010 based on the closing share price of $1.28 per the ASX on that date. As a result, the exercise price of all outstanding options decreased by 4.1 cents (i.e. the fair value of the award to each employee increased). The additional incremental fair value of $114,776 for options already vested was expensed immediately. A further amount of $209,141 will be expensed over the remaining vesting period of options yet to fully vest.

The following options-based transactions occurred during the 2011 financial year:

2011	Date granted	Date vested	Expiry date	Opening balance (Number)	Number granted	Number exercised	Number forfeited /expired	Closing balance (Number)	Exercise price (c)	Fair value at grant date
KEY MANAGEMENT PERSONNEL										
D. Beard										
	29/11/06	29/11/06	6/11/11	**300,000**	-	-	-	**300,000**	**0.33**	**0.09**
(a) (b)	1/07/08	1/07/09	30/06/11	**31,154**	-	-	**(31,154)**	-	**2.04**	**1.10**
S. Mitchell										
(a) (b)	1/07/08	1/07/09	30/06/11	**146,154**	-	-	**(146,154)**	-	**2.04**	**1.10**
G. Phillips										
(a) (b)	1/07/08	1/07/09	30/06/11	**400,000**	-	-	**(400,000)**	-	**2.04**	**1.11**
I. Gorman										
(a) (b)	1/07/08	1/07/09	30/06/11	**138,938**	-	-	**(138,938)**	-	**2.04**	**1.10**
D. Hobday										
(a)	1/07/08	1/07/09	30/06/11	**42,308**	-	-	**(42,308)**	-	**2.04**	**1.10**
R. Sotelo										
(a) (b)	1/07/08	1/07/09	30/06/11	**92,625**	-	-	**(92,625)**	-	**2.04**	**1.10**
A. Bishop										
(b)	4/07/08	4/07/08	3/07/11	**800,000**	-	-	-	**800,000**	**1.84**	**1.05**
M. Bowers										
(a) (b)	1/04/10	18/12/10	17/12/12	**800,000**	-	-	-	**800,000**	**1.56**	**0.55**
Total Key Management Personnel				**2,751,179**	-	-	**(851,179)**	**1,900,000**		

2011	Date granted	Date vested	Expiry date	Opening balance (Number)	Number granted	Number exercised	Number forfeited /expired	Closing balance (Number)	Exercise price (c)	Fair value at grant date
OTHER PERSONNEL										
	15/08/07	15/08/07	14/08/10	**100,000**	-	**(100,000)**	-	-	**0.33**	**0.87**
	15/08/07	15/08/07	14/08/10	**50,000**	-	**(50,000)**	-	-	**0.51**	**0.78**
(a) (b)	16/07/07	16/07/08	15/07/10	**200,000**	-	-	**(200,000)**	-	**1.46**	**0.78**
(a) (b)	21/12/07	21/12/08	20/12/10	**50,000**	-	-	**(50,000)**	-	**1.21**	**0.36**
(a) (b)	22/01/08	22/01/09	21/01/11	**300,000**	-	-	**(300,000)**	-	**1.21**	**0.20**
(a) (b)	22/04/08	10/07/08	9/07/10	**200,000**	-	-	**(200,000)**	-	**1.46**	**0.62**
(a) (b)	22/04/08	11/03/09	10/03/11	**75,000**	-	-	**(75,000)**	-	**1.21**	**0.68**
(a) (b)	22/04/08	3/03/09	2/03/11	**100,000**	-	-	**(100,000)**	-	**1.21**	**0.68**
(a) (b)	22/04/08	1/04/09	31/03/11	**50,000**	-	-	**(50,000)**	-	**1.21**	**0.68**
(a) (b)	22/04/08	22/04/09	21/04/11	**420,000**	-	-	**(420,000)**	-	**1.21**	**0.68**
(a) (b)	1/07/08	1/07/09	30/06/11	**856,908**	-	-	**(856,908)**	-	**2.04**	**1.10**
(a) (b)	21/01/09	20/01/10	20/01/12	**400,000**	-	-	-	**400,000**	**0.85**	**0.36**
(a) (b)	26/06/09	26/06/10	25/06/12	**250,000**	-	-	-	**250,000**	**1.29**	**0.58**
(a) (b)	18/12/09	18/12/10	17/12/12	**100,000**	-	-	-	**100,000**	**1.56**	**0.73**
(a) (b)	18/12/09	18/12/10	17/12/12	**150,000**	-	-	-	**150,000**	**1.56**	**0.76**
(a) (b)	16/03/10	16/03/11	15/03/13	**115,000**	-	-	-	**115,000**	**1.42**	**0.73**
(a) (b)	26/03/10	13/10/10	25/03/13	**130,000**	-	-	**(130,000)**	-	**1.41**	**0.57**
(a) (b)	26/03/10	26/03/11	25/03/13	**100,000**	-	-	-	**100,000**	**1.45**	**0.57**
(a) (b)	1/04/10	18/12/10	17/12/12	**200,000**	-	-	-	**200,000**	**1.66**	**0.53**
(a) (b)	2/04/10	2/04/11	1/04/13	**35,000**	-	-	-	**35,000**	**1.21**	**0.65**
(a) (b)	29/04/10	1/03/11	28/02/13	**425,000**	-	-	-	**425,000**	**1.50**	**0.68**
(a) (b)	27/05/10	22/12/10	21/12/12	**150,000**	-	-	-	**150,000**	**1.63**	**0.50**
(a) (b)	29/06/10	15/04/11	14/04/13	**135,000**	-	-	-	**135,000**	**1.45**	**0.50**
(a) (b)	29/06/10	19/04/11	18/04/13	**140,000**	-	-	-	**140,000**	**1.46**	**0.49**
(a) (b)	29/06/10	1/06/11	31/05/13	**280,000**	-	-	-	**280,000**	**1.23**	**0.55**
(a) (b)	29/07/10	29/07/11	28/07/13	-	**145,000**	-	**(50,000)**	**95,000**	**1.22**	**0.60**
(a) (b)	7/12/10	7/12/11	6/12/13	-	**160,000**	-	-	**160,000**	**1.17**	**0.55**
(a) (b)	5/04/11	5/04/12	4/04/14	-	**115,000**	-	-	**115,000**	**1.04**	**0.50**
(a) (b)	1/06/11	31/05/12	30/05/16	-	**83,334**	-	-	**83,334**	**0.80**	**0.60**
(a) (b)	1/06/11	31/05/13	30/05/16	-	**83,334**	-	-	**83,334**	**0.80**	**0.60**
(a) (b)	1/06/11	31/05/14	30/05/16	-	**83,334**	-	-	**83,334**	**0.80**	**0.60**
Total other personnel				**5,011,908**	**670,002**	**(150,000)**	**(2,431,908)**	**3,100,002**		
Total all personnel				**7,763,087**	**670,002**	**(150,000)**	**(3,283,087)**	**5,000,002**		

Notes:

(a) Options do not vest for a period of 12 months from grant date, for all employees except one who can vest 1/3 after 12 months, 1/3 after 24 months and 1/3 after 36 months.

(b) The options vest in line with the individual's employment agreement and are exercisable at any time between vesting and expiry date.

(c) Under the terms and conditions of the employee incentive scheme, outstanding options were re-priced as a result of the Equity Raising completed in March 2010. Refer to details of the re-pricing above.

19. Share Based Payments continued

The following options-based transactions occurred during the 2010 financial year:

2010	Date granted	Date vested	Expiry date	Opening balance (Number)	Number granted	Number exercised	Number forfeited /expired	Closing balance (Number)	Exercise price (c)	Fair value at grant date
KEY MANAGEMENT PERSONNEL										
D. Beard										
	29/11/06	29/11/06	6/11/09	300,000	-	(300,000)	-	-	0.25	0.08
	29/11/06	29/11/06	6/11/11	300,000	-	-	-	300,000	0.33	0.09
(a) (b)	1/07/08	1/07/09	30/06/11	31,154	-	-	-	31,154	2.04	1.10
S. Mitchell										
(a) (b)	1/07/08	1/07/09	30/06/11	146,154	-	-	-	146,154	2.04	1.10
G. Phillips										
(a) (b)	1/07/08	1/07/09	30/06/11	400,000	-	-	-	400,000	2.04	1.11
I. Gorman										
	31/08/07	31/08/07	30/08/10	400,000	-	(400,000)	-	-	0.21	0.86
	31/08/07	31/08/07	30/08/10	400,000	-	(400,000)	-	-	0.33	0.78
(a) (b)	1/07/08	1/07/09	30/06/11	138,938	-	-	-	138,938	2.04	1.10
D. Hobday										
(a)	1/07/08	1/07/09	30/06/11	42,308	-	-	-	42,308	2.04	1.10
R. Sotelo										
(a) (b)	1/07/08	1/07/09	30/06/11	92,625				92,625	2.04	1.10
A. Bishop										
(b)	4/07/08	4/07/08	3/07/11	800,000	-	-	-	800,000	1.84	1.05
M. Bowers										
(a) (b)	1/04/10	18/12/10	17/12/12	-	800,000	-	-	800,000	1.56	0.55
Total Key Management Personnel				3,051,179	800,000	(1,100,000)	-	2,751,179		

2010	Date granted	Date vested	Expiry date	Opening balance (Number)	Number granted	Number exercised	Number forfeited /expired	Closing balance (Number)	Exercise price (c)	Fair value at grant date
OTHER PERSONNEL										
	11/04/07	11/04/07	10/07/11	100,000	-	(100,000)	-	-	0.38	0.31
	30/04/07	30/04/07	29/04/10	400,000	-	(400,000)	-	-	0.25	0.38
	15/08/07	15/08/07	14/08/10	500,000	-	(400,000)	-	100,000	0.33	0.87
	15/08/07	15/08/07	14/08/10	50,000	-	-	-	50,000	0.51	0.78
(a) (b)	16/07/07	16/07/08	15/07/10	200,000	-	-	-	200,000	1.46	0.78
(a) (b)	21/12/07	21/12/08	20/12/10	50,000	-	-	-	50,000	1.21	0.36
(a) (b)	22/01/08	22/01/09	21/01/11	300,000	-	-	-	300,000	1.21	0.20
(a) (b)	22/04/08	10/07/08	9/07/10	200,000	-	-	-	200,000	1.46	0.62
(a) (b)	22/04/08	11/03/09	10/03/11	75,000	-	-	-	75,000	1.21	0.68
(a) (b)	22/04/08	3/03/09	2/03/11	100,000	-	-	-	100,000	1.21	0.68
(a) (b)	22/04/08	1/04/09	31/03/11	50,000	-	-	-	50,000	1.21	0.68
(a) (b)	22/04/08	22/04/09	21/04/11	420,000	-	-	-	420,000	1.21	0.68
(a) (b)	1/07/08	1/07/09	30/06/11	856,908	-	-	-	856,908	2.04	1.10
(a) (b)	21/01/09	20/01/10	20/01/12	400,000	-	-	-	400,000	0.85	0.36
(a) (b)	26/06/09	26/06/10	25/06/12	250,000	-	-	-	250,000	1.29	0.58
(a) (b)	6/10/09	6/10/09	5/10/12	-	273,000	-	(273,000)	-	1.20	0.63
(a) (b)	6/10/09	6/10/09	5/10/12	-	175,000	-	(175,000)	-	1.20	0.63
(a) (b)	6/10/09	6/10/09	5/10/12	-	155,000	-	(155,000)	-	1.20	0.63
(a) (b)	18/12/09	18/12/10	17/12/12	-	100,000	-	-	100,000	1.56	0.73
(a) (b)	18/12/09	18/12/10	17/12/12	-	150,000	-	-	150,000	1.56	0.76
(a) (b)	16/03/10	16/03/11	15/03/13	-	115,000	-	-	115,000	1.42	0.73
(a) (b)	26/03/10	13/10/10	25/03/13	-	130,000	-	-	130,000	1.41	0.57
(a) (b)	26/03/10	26/03/11	25/03/13	-	100,000	-	-	100,000	1.45	0.57
(a) (b)	1/04/10	18/12/10	17/12/12	-	200,000	-	-	200,000	1.66	0.53
(a) (b)	2/04/10	2/04/11	1/04/13	-	35,000	-	-	35,000	1.21	0.65
(a) (b)	29/04/10	1/03/11	28/02/13	-	425,000	-	-	425,000	1.50	0.68
(a) (b)	27/05/10	22/12/10	21/12/12	-	150,000	-	-	150,000	1.63	0.50
(a) (b)	29/06/10	15/04/11	14/04/13	-	135,000	-	-	135,000	1.45	0.50
(a) (b)	29/06/10	19/04/11	18/04/13	-	140,000	-	-	140,000	1.46	0.49
(a) (b)	29/06/10	1/06/11	31/05/13	-	280,000	-	-	280,000	1.23	0.55
Total other personnel				3,951,908	2,563,000	(900,000)	(603,000)	5,011,908		
Total all personnel				7,003,087	3,363,000	(2,000,000)	(603,000)	7,763,087		

Notes:

(a) Options cannot be exercised for a period of 12 months from grant date.

(b) The options vest in line with the individual's employment agreement and are exercisable at any time between vesting and expiry date.

(c) Under the terms and conditions of the employee incentive scheme, outstanding options were re-priced as a result of the Equity Raising completed in March 2010. Refer to details of the re-pricing above.

19. Share Based Payments continued

The following table summarises the key input variables used to value the Company's outstanding employee options.

Grant date	Expiry date	Exercise price	Share price on grant date	Time to maturity	Market volatility	Risk free rate	Fair value of option on grant date
		$	$	Years	Beta		$
4/07/08	3/07/11	1.839	1.840	3.0	0.8200	0.0643	1.05
21/01/09	20/01/12	0.849	0.690	3.0	0.8800	0.0408	0.36
26/06/09	25/06/12	1.289	1.070	3.0	0.8800	0.0571	0.58
6/10/09	5/10/12	1.200	1.120	3.0	0.8800	0.0528	0.63
18/12/09	17/12/12	1.559	1.365	3.0	0.8500	0.0548	0.73
18/12/09	17/12/12	1.459	1.365	3.0	0.8500	0.0548	0.76
16/03/10	15/03/13	1.419	1.320	3.0	0.8500	0.0563	0.73
26/03/10	25/03/13	1.409	1.100	3.0	0.8590	0.0541	0.57
26/03/10	25/03/13	1.449	1.100	3.0	0.8590	0.0574	0.57
1/04/10	17/12/12	1.559	1.150	2.7	0.8590	0.0575	0.55
1/04/10	17/12/12	1.659	1.150	2.7	0.8590	0.0575	0.53
2/04/10	1/04/13	1.209	1.150	3.0	0.8590	0.0584	0.65
29/04/10	28/02/13	1.500	1.280	2.8	0.8590	0.0573	0.68
27/05/10	21/12/12	1.630	1.365	2.6	0.8630	0.0538	0.50
29/06/10	14/04/13	1.450	1.030	2.8	0.8630	0.0514	0.50
29/06/10	18/04/13	1.460	1.030	2.8	0.8630	0.0514	0.49
29/06/10	31/05/13	1.230	1.030	2.9	0.8630	0.0514	0.55
29/07/10	28/07/13	1.220	1.080	3.0	0.8630	0.0524	0.60
7/12/10	6/12/13	1.170	1.010	3.0	0.8630	0.0501	0.55
5/04/11	4/04/14	1.040	0.900	3.0	0.8630	0.0551	0.50
1/06/11	30/05/16	0.797	0.800	5.0	0.8630	0.0529	0.60

When issued, options are valued using the Black-Scholes (1973) equation, a valuation technique which takes into consideration share price volatility, the risk free rate, the option exercise price, the term of the option before expiry and the share price on grant date. Expected volatility is based on the historical annualised share price volatility over the past four years and it is assumed that options will be exercised just prior to their expiry date. The risk free rate is based on the ten year government bond yield at grant date.

The total value of options granted, exercised and lapsed is calculated based on the following:

- Fair value of the options at grant date multiplied by the number of options granted during the year; plus
- Fair value of the option at the time it is exercised multiplied by the number of options exercised during the year; plus
- Fair value of the option at the time of lapse multiplied by the number of options lapsed during the year.

The total value of options included in remuneration for the year is calculated in accordance with Accounting Standard AASB 124 ''Related Party Disclosures". This requires the following:

- The value of the options is determined at grant date, and is included in remuneration on a proportionate basis from grant date to vesting date. Where the options immediately vest the full value of the option is recognised in remuneration in the current year.
- All options vest at the date of issue unless otherwise disclosed.

(b) Expenses Arising From Option and Share-Based Payment Transactions

Total expenses arising from share-based payment transactions recognised during the period as part of director and employee benefit expenses are detailed below:

	Consolidated	
	2011	2010
	$	$
(i) Option premium reserve		
Unlisted options issued under the Company employee incentive option scheme	**1,071,869**	1,081,422
Total equity-settled options based payments recognised as an expense during the period	**1,071,869**	1,081,422
(ii) Share-based payments		
Entitlement to 139,644 fully paid ordinary shares granted during the comparative year	-	143,833
Total equity-settled share-based payments recognised as an expense during the period	-	143,833
Total option and share-based payments recognised as an expense during the year	**1,071,869**	1,225,255

Notes to the Financial Statements 30 June 2011 continued

20. Joint Ventures

Interests in Joint Venture Operations

The Group's interests in joint venture operations as at 30 June 2011 are summarised below:

Name	Principal activity	Ownership interest	
		2011	2010
Bowen Basin, Queensland, comprising PL94 (sublease) ATP564P and PLA210	CBM Gas	**67.1%**	50%
Bowen Basin, Queensland, comprising PL94 (sublease) ATP602P and PLA447	CBM Gas	**62.9%**	50%
Mason County, West Virginia, USA	Conventional and CBM Gas	**50%**	50%
Mason County, West Virginia, USA	Gas from Shales	**50%**	50%
Wolfcamp, Texas, USA	Tight Oil	**78%**	N/A

In relation to the Queensland joint venture operations, as at 30 June 2011, the Group and the joint venture participant were tenants-in-common in the following permits: PL94 (Sublease), PLA210, ATP564P, PLA447 and ATP602P. The permits are located in Queensland's Bowen Basin and extend from south of Taroom and up through the Blackwater area to the coal mining districts north east of Emerald. The Group's interest in these permits is 67.1% in PL94 (Sublease), PLA210 and ATP564P and 62.9% in PLA447 and ATP602P as at 30 June 2011. For the year ended 30 June 2011, the Group's non sole risk share of the joint ventures' loss was $89,741 (2010: loss $202,243).

Included in the assets and liabilities of the consolidated entity are the following items which represent the consolidated entity's interest in the assets and liabilities employed in the joint venture operations.

	Consolidated	
	2011	2010
	$	$
NON-CURRENT ASSETS[1]		
Development expenditure in Area of Interest now in production - at cost	**50,786,629**	45,320,763
Less: Accumulated amortisation	**(10,348,008)**	(6,418,970)
	40,438,621	38,901,793
Plant and equipment - at cost	**6,477,790**	4,869,045
Less: Accumulated depreciation	**(2,258,089)**	(2,001,855)
	4,219,701	2,867,190
Exploration expenditure carried forward in respect of areas of interest in exploration and/or evaluation phase	**17,196,005**	9,372,907
Total	**61,854,327**	51,141,890

Notes

1. The Queensland assets have been reclassified to available-for-sale non financial assets as at 30 June 2011.

There are no contingent liabilities associated with the joint venture operations. Refer to Note 24 for Queensland expenditure commitments.

21. Parent Entity

As at, and throughout, the financial year ending 30 June 2011 the parent company of the Group was Molopo Energy Limited. The results and financial position of the parent entity are detailed below.

	Parent	
	2011	2010
	$	$
RESULT OF THE PARENT ENTITY		
Profit/(loss) for the period	**(9,431,969)**	9,631,801
Other comprehensive income	**-**	-
Total comprehensive income for the period	**(9,431,969)**	9,631,801
FINANCIAL POSITION OF THE PARENT ENTITY AT YEAR END		
Current assets	**15,213,430**	61,975,601
Non-current assets	**188,235,759**	157,914,964
Total assets	**203,449,189**	219,890,565
Current liabilities	**1,173,355**	4,860,245
Non-current liabilities	**109,295**	-
Total liabilities	**1,282,650**	4,860,245
Total equity of the parent entity comprising of:		
Share capital	**153,826,171**	154,559,636
Reserves	**2,029,857**	4,728,204
Retained profits	**46,310,511**	55,742,480
Total equity	**202,166,539**	215,030,320

Parent Entity Contingencies and Commitments

The parent entity has no contingent liabilities at 30 June 2011. The following table represents the operating commitments of the parent entity.

	Parent	
	2011	2010
	$	$
OPERATING EXPENDITURE COMMITMENTS		
Within one year	**189,713**	185,574
One year or later and no later than five years	**15,216**	187,157
Greater than five years	**-**	-
	204,929	372,731

Parent Entity Guarantees in Respect of Debts of its Subsidiaries

The parent entity has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of a number of its subsidiaries.

Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed are disclosed in Note 29 and Note 22.

Notes to the Financial Statements 30 June 2011 continued

22. Controlled Entities

The following table lists the details of controlled entities as at 30 June 2011.

Name of controlled entity	Country of incorporation	Class of share	Percentage holding %		Cost value of shares $	
			2011	2010	2011	2010
Molopo Energy Limited (parent entity)	Australia[1]	Ordinary				
Lowell Petroleum N.L.	Australia[1]	Ordinary	**100**	100	**1,600,000**	1,600,000
Lowell Petroleum (China) Pty Ltd	Australia[1]	Ordinary	**100**	100	**-**	-
Lowell Petroleum (Australia) Pty Ltd	Australia[1]	Ordinary	**100**	100	**-**	-
Resources Development Pty Ltd	Australia[1]	Ordinary	**100**	100	**1,000**	1,000
Molopo Generation Pty Ltd	Australia[1]	Ordinary	**100**	100	**100**	100
Molopo (Queensland) LLC	USA	Ordinary	**100**	100	**-**	-
Molopo USA LLC	USA	Ordinary	**100**	100	**10**	10
Molopo Energy Texas LLC	USA[3]	Ordinary	**100**	-	**933**	-
Molopo Energy Holdings Ltd	Canada	Ordinary	**100**	100	**102**	102
Molopo Energy Canada Ltd	Canada	Ordinary	**100**	100	**-**	-
Molopo Canada Callco Ltd	Canada	Ordinary	**100**	100	**102**	102
Molopo South Africa Exploration and Production (Pty) Ltd (formally Highland Exploration and Production (Pty) Ltd)	South Africa	Ordinary	**100**	100	**621,533**	621,533
Molopo Evander Exploration and Production (Pty) Ltd	South Africa	Ordinary	**100**	100	**-**	-
Molopo Virginia Exploration and Production (Pty) Ltd	South Africa	Ordinary	**100**	100	**-**	-
Molopo Energy India Private Limited	India	Ordinary	**-**	90	**-**	2,799
Metord Company	Mongolia	Reg. capital	**100**	100	**22**	22
TOTAL					**2,223,802**	2,225,668

Notes:

1. Parties to the Deed of Cross Guarantee.

2. On 17 November 2009 the Group completed an amalgamation of its Canadian subsidiary companies acquired during the year and Molopo Canada Inc, which resulted in Molopo Energy Canada Ltd being the sole operating Canadian company. Molopo Energy Holdings Ltd acts purely as a holding company in Canada.

3. Molopo Energy Texas LLC was incorporated during the year with the purpose of operating the Group's project within the emerging Wolfcamp oil play in West Texas.

23. Contingent Liabilities

On 7 March 2011, Molopo Energy Canada Ltd ("MECL"), a wholly owned subsidiary of Molopo Energy Ltd, 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 and intends to vigorously defend the statement of claim.

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 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. MECL served its Affidavit of Records on the joint venture partner on 29 August 2011.

The Directors believe that the action can be successfully defended.

24. Expenditure Commitments

The following table represents the expenditure commitments as at 30 June 2011.

	Consolidated	
	2011	2010
	$	$
EXPLORATION AND DEVELOPMENT EXPENDITURE COMMITMENTS		
Within one year	**12,967,348**	7,960,945
One year or later and no later than five years	**-**	-
Greater than five years	**-**	-
	12,967,348	7,960,945
OPERATING LEASE COMMITMENTS		
Within one year	**418,564**	416,902
One year or later and no later than five years	**234,882**	630,536
Greater than five years	**-**	-
	653,446	1,047,438

The Group has total commitments as follows: Bowen Basin, Queensland $1,070,780 (2010: $716,962); NSW $17,271 (2010: $14,440); South Africa $10,307,987 (2010: Nil); Canada $2,027,098 (2010: $7,708,078); India Nil (2010: $210,612); and Victoria $197,658 (2010: $358,331).

The commitments for exploration and development represent non-discretionary expenditure only. Additional expenditure to these amounts is likely to be required in order to maintain title in those oil and gas properties considered prospective, but such expenditure is at the discretion of the Company.

Operating lease commitments relate to office leases in Australia, Canada and South Africa plus a number of leases over office equipment.

25. Segment Information

Identification of Reportable Segments

The predominant activity of the Group is petroleum exploration, appraisal, development and production. Geographically, the Group operated in five countries. The head office and management activities of the Group take place predominantly in Australia. Exploration, appraisal, development and production activities for petroleum predominantly take place in Australia, Canada, and South Africa.

Operating segments are reported in a manner that is consistent with the internal reporting provided to the Board of Directors and the Executive Management Team (the chief operating decision makers).

25. Segment Information continued

The operating segments have been determined based on a geographical perspective and the following reportable segments have been identified:

- Australia;
- Canada;
- South Africa;
- USA; and
- Other (includes India and China).

Segment information is prepared in conformity with the consolidated entity's policies described in Note 3. There were no inter-segment sales.

Year ended 30 June 2011	Australia	Canada	South Africa	USA	Other[1]	Total
	$	$	$	$	$	$
External revenues	**1,461,872**	**12,690,279**	**-**	**-**	**-**	**14,152,151**
Interest revenue	**1,215,583**	**381,051**	**487**	**-**	**-**	**1,597,121**
Depreciation and amortisation	**1,721,989**	**5,705,705**	**5,847**	**-**	**502**	**7,434,043**
Income tax (benefit)/expense	**(2,221,315)**	**29,303,188**	**-**	**-**	**-**	**27,081,873**
Reportable segment profit/(loss) after tax	**(12,059,508)**	**97,216,010**	**(454,310)**	**(64,561)**	**(215,516)**	**84,422,116**
Reportable segment assets	**79,159,033**	**183,590,148**	**6,839,604**	**5,786,240**	**-**	**275,375,024**
Reportable segment liabilities	**5,583,103**	**27,933,663**	**229,526**	**92,658**	**-**	**33,838,950**
Capital expenditure	**2,623,680**	**26,273,998**	**1,280,446**	**5,762,212**	**-**	**35,940,337**
OTHER MATERIAL NON-CASH ITEMS						
Impairment loss (Note 5)	**-**	**(7,171,825)**	**-**	**-**	**-**	**(7,171,825)**

Year ended 30 June 2010						
External revenues	1,170,014	4,922,149	-	-	-	6,092,163
Interest revenue	3,717,590	12,598	1,359	-	-	3,731,547
Depreciation and amortisation	2,231,124	2,092,803	68	-	341	4,324,336
Income tax (benefit)/expense	(374,560)	(1,405,310)	-	-	-	(1,779,870)
Reportable segment profit/(loss) after tax	6,332,940	(2,958,060)	(735,508)	(147)	(23,643)	2,615,582
Reportable segment assets	132,865,776	88,684,867	5,510,081	540	62,005	227,123,269
Reportable segment liabilities	8,428,930	9,860,422	257,052	-	-	18,546,404
Capital Expenditure	17,742,844	69,747,261	1,865,509	-	3,063	89,358,677
OTHER MATERIAL NON-CASH ITEMS						
Impairment loss	(1,066,133)	-	-	-	-	(1,066,133)

Note:

1. Includes geographic segments India and China, which do not meet the reportable thresholds.

Product Segments

Information is also reported to the chief operating decision makers based on a commodity basis, being oil versus gas. For revenue, oil and gas follow the geographic basis disclosed above (i.e. all sales revenue from Canada is for oil and gas revenue is derived from Australia). All Australian, South African and Other segment assets and liabilities relate to gas. In Canada, of the segment assets, Nil (2010: $9,411,290) relates to gas operations, all of them are associated with oil operations. Segment liabilities of Nil (2010: $23,063) in Canada relate to gas operations, all of them are associated with oil operations.

Major Customers

The Group has a number of customers to which it provides products. In relation to revenue from the sale of gas, sales to three customers account for 99.5% of external revenue, of which one customer accounted for 46.7% of this (2010: one customer accounted for 99.5%). In relation to revenue from the sale of oil, sales to one customer account for 99.5% of external revenue (2010: 93%).

26. Earnings Per Share

	Consolidated	
	2011	2010
	$	$
The following reflects the income and share data used in the calculation of basic and diluted earnings per share:		
Net profit	**84,417,546**	2,617,925
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share:	**250,767,475**	204,162,656
EFFECT OF DILUTION		
Weighted average number of share options – dilutive	**8,317,582**	7,273,458
Weighted average number of ordinary shares adjusted for the effect of dilution	**259,085,057**	211,436,114
Basic earnings per share (dollars per share)	**0.34**	0.01
Diluted earnings per share (dollars per share)	**0.33**	0.01
EARNINGS PER SHARE FROM CONTINUING OPERATIONS		
Basic earnings/(loss) per share (dollars per share)	**0.34**	0.01
Diluted earnings/(loss) per share (dollars per share)	**0.33**	0.01

Between the reporting date and the date of these financial statements an additional 945,919 Molopo Energy Ltd ordinary shares have been purchased and cancelled as part of an on-market share buyback. This buy back represents 0.4% of the weighted average number of ordinary shares on issue as at 30 June 2011.

Apart from as mentioned above, there have been no other transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

27. Related Party Information

(a) Key Management Personnel

Details of Key Management Personnel

The key management personnel of the Group during the financial year were:

- G. Lewin (Chairman, Non-Executive) – appointed 15 February 2011;
- I. Gorman (Chief Executive Officer) – appointed 15 February 2011 (previously Director and COO);
- M. Beck (Non-Executive Director) – appointed 15 February 2011;
- G. Ross (Non-Executive Director, alternate to M. Beck) appointed 15 February 2011;
- B. Straub (Non-Executive Director) – appointed 17 March 2011;
- G. Cameron (Non-Executive Director) – appointed 30 March 2011;
- D. Beard (Chairman, Non-Executive) – stepped down as Chairman 31 January 2011. Removed as Director 15 February 2011;
- S. Mitchell (Chief Executive Officer) – ceased 15 February 2011;
- G. Phillips (Non-Executive Director) – resigned 15 February 2011;
- D. Hobday (Non-Executive Director) – removed 15 February 2011;
- R. Sotelo (Chief Commercial Officer);
- A. Bishop (Chief Financial Officer) – ceased 11 March 2011;
- S. Greenshields (Acting Chief Financial Officer – Molopo Energy Limited 11 March 2011 to 15 June 2011); and
- M. Bowers (Chief Executive Officer – Molopo Energy Canada Ltd – resigned 1 April 2011).

Key Management Personnel Compensation

The aggregate compensation of the Group's management personnel is set out below. Refer to the Remuneration Report within the Directors' Report for individual details.

	Consolidated	
	2011	2010
	$	$
Short-term employee benefits	**2,880,167**	2,014,014
Post-employment benefits	**161,778**	171,944
Other long-term benefits	**-**	-
Cessation of employment benefits	**1,067,855**	-
Share-based payments	**284,886**	346,663
	4,394,686	2,532,621

Other Transactions with Key Management Personnel (and their Related Parties)

The Group paid $36,315 (2010: $68,290) to Dr. D. Hobday for management consulting services, provided on normal commercial terms, to Molopo Energy India Private Ltd.

The Group paid $23,178 to Mr. G. Lewin for consulting services on strategic planning and implementation of the strategy, provided on normal commercial terms, to Molopo Energy Limited.

The Group paid $20,000 to Mr. G. Ross for investor relations consulting services, provided on normal commercial terms, to Molopo Energy Limited.

Loans with Key Management Personnel (and their Related Parties)

During the financial year there have been no loans by the Group to key management personnel.

Key Management Personnel Share Holdings

Fully Paid Ordinary Shares of Molopo Energy Limited

2011	Balance at 1 July 2010	Granted as compen-sation	Issued on exercise of options	Purchase	Sales	Other	Balance at 30 June 2011
	No.	No.	No.	No.	No.	No.	No.
G. Lewin[1]	N/A	-	-	110,000	-	-	110,000
I. Gorman	727,599	-	-	-	-	-	727,599
M. Beck[2]	N/A	-	-	-	-	8,303,952	8,303,952
G. Ross[3]	N/A	-	-	-	-	27,143	27,143
B. Straub[4]	N/A	-	-	-	-	-	-
G. Cameron[5]	N/A	-	-	15,000	-	-	15,000
D. Beard[6]	609,923	-	-	-	-	(609,923)	N/A
S. Mitchell[7]	1,688,697	-	-	-	-	(1,688,697)	N/A
G. Phillips[8]	21,143	-	-	-	-	(21,143)	N/A
D. Hobday[9]	222,488	-	-	-	-	(222,488)	N/A
Officers							
R. Sotelo	10,870	-	-	-	-	-	10,870
A. Bishop[10]	32,609	-	-	-	-	(32,609)	N/A
M. Bowers[11]	24,041	-	-	-	-	(24,041)	N/A
S. Greenshields	N/A	-	-	-	-	-	N/A
Total	3,337,370	-	-	125,000	-	5,732,194	9,194,564

Note:

1. *G. Lewin was appointed Director on 15 February 2011. G. Lewin purchased directly or indirectly 110,000 Molopo Energy Limited shares after he was appointed Director.*
2. *M. Beck was appointed Director on 15 February 2011. M. Beck held directly or indirectly 8,303,952 Molopo Energy Limited shares prior to being appointed Director.*
3. *G. Ross was appointed alternate Director to M. Beck on 15 February 2011. G. Ross held directly or indirectly 27,143 Molopo Energy Limited shares prior to being appointed alternate Director.*
4. *B. Straub was appointed Director on 17 March 2011.*
5. *G. Cameron was appointed Director on 30 March 2011. G. Cameron purchased directly or indirectly 15,000 Molopo Energy Limited shares after he was appointed Director.*
6. *D. Beard was removed as Director on 15 February 2011. As at the date of termination D. Beard held directly or indirectly 609,923 Molopo Energy Limited shares.*
7. *S. Mitchell ceased as Director and CEO of Molopo on 15 February 2011. As at the date of cessation S. Mitchell held directly or indirectly 1,688,697 Molopo Energy Limited shares.*
8. *G. Phillips resigned as Director on 15 February 2011. As at the date of resignation G. Phillips held directly or indirectly 21,143 Molopo Energy Limited shares.*
9. *D. Hobday was removed as Director on 15 February 2011. As at the date of termination D. Hobday held directly or indirectly 222,488 Molopo Energy Limited shares.*
10. *A. Bishop's employment ceased on 11 March 2011. As at the date of cessation A. Bishop held directly or indirectly 32,609 Molopo Energy Limited shares.*
11. *M. Bowers resigned on 1 April 2011. As at the date of resignation M. Bowers held directly or indirectly 24,041 Molopo Energy Limited shares.*

27. Related Party Information continued

Key Management Personnel Share Holdings

2010	Balance at 1 July 2009	Granted as compen-sation	Issued on exercise of options	Purchase	Sales	Other	Balance at 30 June 2010
	No.	No.	No.	No.	No.	No.	No.
I. Gorman	36,600	-	800,000	-	(109,001)	-	727,599
D. Beard	233,683	-	300,000	76,240	-	-	609,923
S. Mitchell	1,517,477	-	-	171,220	-	-	1,688,697
G. Phillips	2,400	-	-	18,743	-	-	21,143
D. Hobday	194,677	-	-	27,811	-	-	222,488
Officers							
R. Sotelo	150,000	10,870	-	-	(150,000)	-	10,870
A. Bishop	-	32,609	-	-	-	-	32,609
M. Bowers[1]	-	24,041	-	-	-	-	24,041
Total	2,134,837	67,520	1,100,000	294,014	(150,000)	-	3,337,370

Note:

1. On 16 November 2009 Mr. Bowers commenced employment with the Group.

Key Management Personnel Option Holdings

Unlisted Options of Molopo Energy Limited

2011	Balance at 1 July 2010	Granted as compen-sation	Exercise of options	Forefeited / Expired	Net other change	Balance at 30 June 2011
	No.	No.	No.	No.	No.	No.
G. Lewin[1]	**N/A**	-	-	-	-	-
I. Gorman	**138,938**	-	-	**(138,938)**	-	-
M. Beck[2]	**N/A**	-	-	-	-	-
G. Ross[3]	**N/A**	-	-	-	-	-
B. Straub[4]	**N/A**	-	-	-	-	-
G. Cameron[5]	**N/A**	-	-	-	-	-
D. Beard[6]	**331,154**	-	-	-	**(331,154)**	**N/A**
S. Mitchell[7]	**146,154**	-	-	-	**(146,154)**	**N/A**
G. Phillips[8]	**400,000**	-	-	-	**(400,000)**	**N/A**
D. Hobday[9]	**42,308**	-	-	-	**(42,308)**	**N/A**
Officers						
R. Sotelo	**92,625**	-	-	**(92,625)**	-	-
A. Bishop[10]	**800,000**	-	-	-	**(800,000)**	**N/A**
M. Bowers[11]	**800,000**	-	-	-	**(800,000)**	**N/A**
S. Greenshields[12]	**N/A**	-	-	-	**250,000**	**250,000**
Total	**2,751,179**	-	-	**(231,563)**	**(2,269,616)**	**250,000**

Notes:

1. G. Lewin was appointed Director on 15 February 2011.

2. M. Beck was appointed Director on 15 February 2011.

3. G. Ross was appointed alternate Director to M. Beck on 15 February 2011.

4. B. Straub was appointed Director on 17 March 2011.

5. G. Cameron was appointed Director on 30 March 2011.

6. D. Beard was removed as Director on 15 February 2011. As at the date of termination D. Beard held directly or indirectly 331,154 Molopo Energy Limited options.

7. S. Mitchell ceased as Director and CEO of Molopo on 15 February 2011. As at the cessation date S. Mitchell held directly or indirectly 146,154 Molopo Energy Limited options.

8. G. Phillips resigned as Director on 15 February 2011. As at the date of resignation G. Phillips held directly or indirectly 400,000 Molopo Energy Limited options.

9. D. Hobday was removed as Director on 15 February 2011. As at the date of termination D. Hobday held directly or indirectly 42,308 Molopo Energy Limited options.

10. A. Bishop's employment ceased on 11 March 2011. As at the date of cessation A. Bishop held directly or indirectly 800,000 Molopo Energy Limited options.

11. M. Bowers resigned on 1 April 2011. As at the date of resignation M. Bowers held directly or indirectly 800,000 Molopo Energy Limited options.

12. S. Greenshields held 250,000 options as at 30 June 2010, however was not a key management personnel at that time.

27. Related Party Information continued

Key Management Personnel Option Holdings

2010	Balance at 1 July 2009	Granted as compen-sation	Exercise of options	Forefeited / Expired	Net other change	Balance at 30 June 2010[1]
	No.	No.	No.	No.	No.	No.
I. Gorman	938,938	-	(800,000)	-	-	138,938
D. Beard	631,154	-	(300,000)	-	-	331,154
S. Mitchell	146,154	-	-	-	-	146,154
G. Phillips	400,000	-	-	-	-	400,000
D. Hobday	42,308	-	-	-	-	42,308
Officers						
R. Sotelo	92,625	-	-	-	-	92,625
A. Bishop[2]	800,000	-	-	-	-	800,000
M. Bowers[2]	-	800,000	-	-	-	800,000
Total	3,051,179	800,000	(1,100,000)	-	-	2,751,179

Notes:

1. With the exception of the options held by M. Bowers and A. Bishop, all options are exercisable at 30 June 2010.

2. M. Bowers was granted 800,000 options upon commencement of employment.

(b) Equity Interests in Related Parties

Equity Interests in Subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in Note 22 to the financial statements.

Equity Interests in Associates and Joint Ventures

Details of interests in Joint Ventures are disclosed in Note 20 to the financial statements.

(c) Wholly Owned Group Transactions

Information relating to controlled entities is set out in Note 22. During the year, there were no transactions with controlled entities, other than movements in the respective inter-company loan accounts and management fees.

As at 30 June 2011, Molopo Energy Limited loan balances with its subsidiary companies were: Lowell Petroleum N.L. $57,910,386 (2010: $49,179,384); Molopo (Queensland) LLC $2,525,283 (2010: Liability $3,177,034); Molopo Generation Pty Ltd $1,360,092 (2010: $704,091); Molopo South Africa Exploration and Production Pty Ltd $8,671,012 (2010: $6,173,153); Molopo USA LLC $204,363 less provision of $196,307 (2010: 198,147 less provision of $196,307), Molopo Energy Texas LLC $6,635,650 (2010: N/A); Molopo Energy Holdings Ltd $19,023,564 (2010: $16,728,920); Molopo Energy Canada Ltd $82,109,478 (2010: $62,990,239); and Molopo Energy India Private Limited $NIL (2009: $102,171); for costs in relation to operation of the respective areas.

As at 30 June 2011 Molopo Energy Limited had $328 (2010: $546) owing to Lowell Petroleum (China) Pty Ltd.

During the period an amount of $753,884 was charged by the parent entity to the subsidiary companies for services provided. These charges have been eliminated in the consolidated entity.

All loans have been provided on an interest free basis and have no fixed repayment date.

28. Auditor's Remuneration

	Consolidated	
	2011	2010
	$	$
AUDIT SERVICES:		
Amounts received or due and receivable:		
- audit or review of the financial report	**140,000**	83,040
- other audit services[1]	**251,997**	32,000
	391,977	115,040

Notes:

1. The majority of these costs for FY11 relate to audit services performed in relation to a proposed IPO for Molopo Energy Canada Ltd in North America, a wholly owned subsidiary of Molopo, which did not proceed following the sale of the Spearfish asset.

TAXATION SERVICES:		
Tax compliance services	**37,564**	23,030
Tax advice in respect of asset disposals and acquisitions	**47,137**	49,198
Other tax services	**51,762**	-
	136,463	72,228

29. Deed of Cross Guarantee

Pursuant to ASIC Class Order 98/1418 (as amended) dated 30 August 1998, the wholly owned Australian subsidiaries listed in Note 22, are relieved from the *Corporations Act 2001* requirements for preparation, audit, and lodgement of Financial Reports, and the Directors' Report.

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the *Corporations Act 2001*. If a winding up occurs under other provisions of the Corporations Act 2001, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

29. Deed of Cross Guarantee continued

The consolidated income statement and consolidated balance sheet, comprising the Company and controlled entities which are party to the Deed, is set out as follows:

	Consolidated	
	2011	2010
	$	$
STATEMENT OF COMPREHENSIVE INCOME		
Revenue from the sale of gas	**1,260,267**	1,032,278
Gross loss from continuing operations	**(1,770,619)**	(3,428,061)
Other revenue and other income	**2,145,947**	19,569,011
Other expenses	**(12,539,897)**	(9,959,239)
Profit/(loss) before income tax	**(12,164,569)**	6,181,711
Income tax benefit from continuing operations	**2,221,315**	374,559
Profit/(loss) from continuing operations	**(9,943,254)**	6,556,270
Discontinued operation		
Profit from discontinuing operations net of income tax	**-**	-
Profit for the period	**(9,943,254)**	6,556,270
Other comprehensive income, net of tax	**-**	-
Total comprehensive income for the period	**(9,943,254)**	6,556,270
STATEMENT OF FINANCIAL POSITION		
Current assets		
Cash and cash equivalents	**15,381,338**	58,675,220
Receivables	**132,923**	4,252,807
Available-for-sale non financial assets[1]	**45,791,495**	-
Total current assets	**61,305,756**	62,928,027
Non-current assets		
Other investments (term deposits)	**-**	15,000,000
Equity investments	**920,305**	3,018,709
Other financial assets	**136,443,687**	100,311,678
Plant and equipment	**206,414**	1,799,638
Oil and gas properties[1]	**-**	31,233,738
Exploration and evaluation assets[1]	**-**	6,679,407
Deferred tax assets	**760,900**	-
Total non-current assets	**138,331,306**	158,043,170
Total assets	**199,637,062**	220,971,197

	Consolidated	
	2011	2010
	$	$
Current liabilities		
Payables	**967,414**	3,204,633
Provisions	**377,997**	401,665
Liabilities associated with available-for-sale non financial assets	**362,256**	-
Total current liabilities	**1,707,667**	3,606,298
Non-current liabilities		
Payables	**101**	3,179,101
Provisions	**109,093**	180,015
Deferred tax liabilities	**-**	1,460,325
Total non-current liabilities	**109,194**	4,819,441
Total liabilities	**1,816,861**	8,425,739
Net assets	**197,820,201**	212,545,458
Equity		
Issued capital	**153,826,171**	154,559,636
Reserves	**2,025,152**	4,728,204
Retained profits	**41,968,878**	53,257,618
Total equity	**197,820,201**	212,545,458

Note:

1. As at 30 June 2011 the oil and gas properties and the exploration and evaluation assets have been reclassified as available-for-sale non financial assets

30. Financial Risk Management

The Group's activities expose it to a variety of financial risks, market risk (including interest rate risk, commodity price risk, equity price risk and currency risk), credit risk and liquidity risk. This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and their management of capital.

Risk Management Framework

To manage and limit the effects of financial risks the Board of Directors has approved the Risk Management Policy. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group at present does not use derivative financial instruments. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rates and foreign exchange, and ageing analysis for credit risk. The policies approved at balance date are outlined below.

Financial risk management is carried out by the Chief Executive Officer and Chief Financial Officer under policies approved by the Board of Directors. The Chief Financial Officer identifies, evaluates and manages the financial risks of the company. The Board provides written policies which also cover specific areas, such as foreign exchange risk, interest rate risk and credit risk.

30. Financial Risk Management continued

(a) Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market prices, such as interest rates, commodity prices, equity prices and foreign exchange rates.

(i) Interest Rate Risk

At the end of the reporting period, the Group does not have any borrowings and therefore no significant exposure to interest rate risk. No interest is currently charged in relation to receivables or payables balances.

Interest Rate Exposure

The following table details the Group's financial instruments that have exposure to interest rate risk as at the reporting date:

	Average interest rate	Floating interest	Fixed interest rate	Non interest bearing	Total
	%	$	$	$	$
30 JUNE 2011					
Financial assets					
Cash & cash equivalents	**1.82**	**78,554,959**	**11,117,754**	**1,024,723**	**90,697,436**
Other investments (term deposits)	-	-	-	-	-
Financial liabilities					
Nil	-	-	-	-	-
30 JUNE 2010					
Financial assets					
Cash & cash equivalents	4.34	24,237,800	41,306,609	148,949	65,693,358
Other investments (term deposits)	4.60	-	15,000,000	-	15,000,000
Nil	-	-	-	-	-

Sensitivity Analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for financial instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 100 basis point increase or decrease is used and represents management's assessment of the reasonably possible change in interest rates over a financial year.

At 30 June 2011, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and other comprehensive income would have been affected as follows:

	Impact on post tax profit		Other comprehensive income	
	Higher / (Lower)			
	2011	2010	2011	2010
	$	$	$	$
+1% (100 basis points)	**549,885**	169,665	**549,885**	169,665
- 1% (100 basis points)	**(549,885)**	(169,665)	**(549,885)**	(169,665)

(ii) Price Risk

Commodity Price Risk

The Group's revenue is exposed to commodity price fluctuations, in particular to gas and oil prices. The Group has entered into a long term gas sales agreement until 1 January 2012, which sets a base price and is adjusted for inflation. As such commodity price risk relating to gas sales is not material. In relation to oil prices, the Group is exposed to price fluctuations as sales are at spot prices. In relation to financial assets and liabilities held at balance sheet date, the price risk is immaterial in terms of a possible impact on profit and loss and as such a sensitivity analysis has not been completed.

Equity Price Risk

Equity securities price risk arises from the Group's holdings of available-for-sale financial assets. The equity investments are of a high quality and are publicly traded on either the ASX or TSX.

A 10 percent change of the equity investment price would have increased (decreased) equity and other comprehensive income by the amounts shown below. This analysis assumes that all other variables remain constant.

	Equity		Other comprehensive income	
	Higher / (Lower)			
	2011	2010	2011	2010
Equity price +10%	**6,991,453**	-	**6,991,453**	-
Equity price -10%	**(6,991,453)**	-	**(6,991,453)**	-

(iii) Currency Risk

The Group undertakes transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. The Group has exposure to the Canadian Dollar, US Dollar and the South African Rand.

Measuring the exposure to foreign exchange risk is achieved by monitoring and performing sensitivity analysis on the Group's financial position.

30. Financial Risk Management continued

Currency Risk Exposure

The carrying amounts of the Group's foreign currency denominated financial assets and liabilities in entities which do not have the corresponding functional currency at the reporting date are as follows:

	Foreign currency denominated balances in AUD			
	CAD	ZAR	GBP	USD
30 JUNE 2011				
Cash and cash equivalents	**4,847**	-	-	-
Receivables	-	-	-	-
Available-for-sale financial assets	-	-	-	-
Payables	-	**(213,566)**	-	-
30 JUNE 2010				
Cash and cash equivalents	5,587	-	-	-
Receivables	-	-	-	296,522
Available-for sale financial assets	-	-	1,616,754	-
Payables	-	(243,439)	-	-

Sensitivity Analysis

A 10 percent change of the Australian dollar against the following currencies at 30 June 2011 would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

	Impact on post tax profit		Other comprehensive income	
	Higher/(Lower)			
	2011	2010	2011	2010
	$	$	$	$
AUD/CAD +10%	**(308)**	(356)	**(308)**	(356)
AUD/CAD -10%	**670**	435	**670**	435
AUD/ZAR +10%	**13,591**	15,492	**13,591**	15,492
AUD/ZAR -10%	**(34,253)**	(18,934)	**(34,253)**	(18,934)
AUD/GBP +10%	**-**	(102,884)	**-**	(102,884)
AUD/GBP -10%	**-**	125,055	**-**	125,055
AUD/USD +10%	**-**	(102,318)	**-**	(102,318)
AUD/USD -10%	**-**	125,748	**-**	125,748

Significant assumptions used in the foreign currency exposure sensitivity analysis above include:

- Reasonably possible movements in foreign exchange rates were determined based on a review of the last five years historical movements.
- The reasonably possible movement of 10% was calculated by taking the foreign currency spot rates as at balance date, moving this spot rate by 10% and then re-converting the foreign currency into AUD with the "new spot-rate". This methodology reflects the translation methodology undertaken by the Group.
- The net exposure at balance date is representative of what the Group was and is expecting to be exposed to in the next twelve months from balance date.
- The sensitivity analysis includes only the impact on the balance of financial assets and financial liabilities at balance date.

(b) Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity.

Credit risk is managed on a Group basis. The credit risk of the Group arises from cash and cash equivalents, deposits with banks and financial institutions, available-for-sale financial assets, as well as credit exposure to customers, including outstanding receivables. For banks and financial institutions, only independently rated parties with a minimum Standard & Poor's credit rating of A (or equivalent) are accepted.

The consolidated entity's maximum exposures to credit risk at balance date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the balance sheet.

Terms & conditions:
Trade receivables are non-interest bearing and generally on 30-day terms. A portion of the trade receivables balance was past due but not considered impaired (PDNI). The ageing of these receivables is as follows:

	Consolidated	
	2011	2010
	$	$
0 - 30 days	**315,657**	1,527,264
31 - 60 days (PDNI)	**14,551**	-
61 - 90 days (PDNI)	**60,843**	-
+ 90 days (PDNI)	**484,081**	-
	875,132	1,527,264

(i) Fair value and credit risk
Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. No significant concentration of credit risk is present as at 30 June 2011 or at 30 June 2010.

(ii) Foreign exchange risk and interest rate risk
Detail regarding foreign exchange and interest rate risk exposure is disclosed in Note 30.

Notes to the Financial Statements 30 June 2011 continued

30. Financial Risk Management continued

(c) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding to settle transactions on the due date. As at the reporting date, the Group does not have any borrowings and therefore does not have any exposure to meeting external borrowing commitments. Management monitors rolling cash forecasts to ensure it can meet operational and investment requirements.

(d) Net Fair Values

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level	Valuation method
Level 1	Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3	Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following methods and assumptions are used to determine the net fair values of financial assets and liabilities:

Financial asset or liability	Fair value method
Cash, cash equivalents and short-term deposits	The carrying amount approximates fair value because of their short-term to maturity (Level: n/a).
Receivables and Payables	The carrying amounts approximate fair value (Level: n/a).
Equity Investments	The fair value is calculated using quoted prices in active markets (Level 1).
Other Investments (term-deposits)	The carrying amount approximates fair value because of their term to maturity is only 12 months (Level: n/a).

(e) Capital Management

The Group's objectives when managing capital are to maintain a strong capital base capable of withstanding significant cash flow variability, whilst providing the flexibility to pursue its growth aspirations. The Group aims to maintain an optimal capital structure to reduce the cost of capital and maximise shareholder returns. The capital structure of the Group currently consists of cash and cash equivalents and equity.

The Group will balance its overall capital structure through the issue of new shares, or the issue of new debt where considered appropriate.

The Group is not subject to any externally imposed capital requirements.

(f) Equity Investments - fair value

In relation to the equity investments, the table below discloses the cost, and fair value of the investments and how the fair value movement has been accounted for.

	CONSOLIDATED	
	2011	2010
	$	$
Equity investments at cost	**106,618,254**	4,682,886
Fair value movement	**(32,535,663)**	(1,664,178)
Exchange rates movements	**(3,247,754)**	-
Carrying amount[1]	**70,834,837**	3,018,708
Fair value movement consists of:		
BALANCE AT 1 JULY 2010	**1,664,178**	-
Other receivable[2]	**(598,045)**	598,045
Impairment: expense[3]	**-**	1,066,133
Impairment: other comprehensive income[4] (*Note 16*)	**31,469,530**	-
BALANCE AT 30 JUNE 2011	**32,535,663**	1,664,178

Notes:

1. *The equity investments consist of 3,689,356 shares in Metgasco Ltd and 6,180,000 shares in Legacy Oil + Gas Inc.*
2. *As part of the sales and purchase agreement relating to the sale of interests in the Clarence Moreton basin, the value of the shares held in escrow is guaranteed to be no less than $2 million. As at 30 June 2010 the fair value of the Metgasco Ltd shares had declined below $2 million, an equivalent amount of $598,045 in Metgasco Ltd shares was receivable. This was received upon cessation of the escrow period on the 3 December 2010.*
3. *As the decline of fair value (even after taking into consideration the receivable from Metgasco Ltd) was considered significant, the equity investments were considered impaired and as such an amount of $1,066,133 was expensed.*
4. *The Group has early adopted AASB 9 Financial Instruments (2009) with a date of initial application 1 July 2010. As the shares held in Metgasco Ltd and Legacy Oil + Gas Inc are not held for trading the current period's measurement to fair value has been recognised in other comprehensive income. This is made up of $1,079,695 impairment on Metgasco Ltd shares and $30,389,835 impairment on Legacy Oil + Gas Inc shares.*

31. Business Combinations

On 20 August 2011 Molopo Energy Limited incorporated Molopo Energy Texas LLC with paid up capital of $933.

Molopo Energy Texas LLC has been set up to operate the Group's play within the emerging Wolfcamp area in West Texas.

During the 2010 comparative financial year the Group acquired a number of controlled entities.

(a) Brink Energy Ltd

On 25 September 2009 the Group acquired 100% of the voting shares in Brink Energy Ltd and its subsidiaries for $6.5 million in cash and 6,147,398 ordinary shares. At the date of acquisition Brink Energy Ltd was a private company based in Canada, involved in the exploration and production of oil. The initial accounting for this business combination was disclosed in the 31 December 2009 half-year report as provisional. The accounting for this business combination is now final.

Acquisition date fair-value of consideration transferred	A$
- Cash	6,533,302
- Shares Issued (Fair value $1.315 based on 25 Sept 2009 share price)	8,083,828
Total consideration for business acquired	14,617,130
Direct acquisition costs expensed in the year to 30 June 2010	513,865

	Fair value	Acquiree's carrying amount
	$	$
ASSETS & LIABILITIES ACQUIRED		
Cash and cash equivalents	34,872	34,872
Receivables	336,161	389,959
Prepayments	80,701	80,701
Plant & equipment	35,999	35,999
Oil and gas properties	7,461,704	7,358,585
Exploration and evaluation assets	3,271,010	3,271,010
Intangibles - exploration rights	3,930,220	-
Other assets	825,237	782,902
Payables	(823,607)	(823,609)
Provisions for asset retirement	(535,167)	(389,665)
Net assets	14,617,130	10,740,754
RECONCILIATION TO CASH FLOW		
Cash consideration	6,533,302	
Less: cash balances acquired	(34,872)	
Net outflow of cash	6,498,430	

(b) 1476198 Alberta Ltd (The Bakken Company)

On 30 September 2009 the Group acquired 100% of the voting shares in The Bakken Company. Consideration for The Bakken Company, as well as exploration leases comprising 70.5 net sections was a total of $16.2 million, comprising $10.6 million in cash, $3.1 million in exchangeable shares (equivalent to Molopo Energy Ltd shares) and $2.5m in Molopo Energy Ltd shares. At the date of acquisition The Bakken Company was a private company based in Canada, involved in oil exploration. On 19 November 2009 the exchangeable shares were exchanged for Molopo Energy Ltd shares.

	A$
PURCHASE CONSIDERATION	
- Cash	10,612,084
- Exchangeable Shares Issued (Fair value $1.28 at 30 Sept 09 share price)	3,128,383
- Subscription Shares Issued (Fair value $1.28 at 30 Sept 09 share price)	2,469,449
Total consideration for business acquired	16,209,916
Direct acquisition costs expensed in the year to 30 June 2010	538,619

	Fair value	Acquiree's carrying amount
	$	$
ASSETS & LIABILITIES ACQUIRED		
Intangible exploration rights	17,615,226	-
Deferred tax liability	(1,405,310)	-
Net Assets	16,209,916	-

Through the acquisition of The Bakken Company, the Group acquired a net 100% working interest and operatorship of exploration leases comprising 70.5 net sections, representing 45,100 acres in the Saskatchewan Province, Canada. There is no existing production or reserves within these leases.

	$
RECONCILIATION TO CASH FLOW	
Cash consideration	10,612,084
Less: cash balances acquired	-
Net outflow of cash	10,612,084

The acquired operations of Brink Energy Ltd and the Bakken Company contributed to the consolidated Statement of Comprehensive Income revenue and a net loss for the year ended 30 June 2010 of $4,922,149 and ($2,328,812) respectively. Due to the nature of the operations being predominantly oil and gas exploration it is not practical to estimate the impact on revenue and profit if the acquisition had been made on 1 July 2009.

(c) Reconciliation of Cash From Acquisitions to Cash Flow

Brink Energy (a) above	6,498,430
The Bakken Company (b) above	10,612,084
	17,110,514

32. Subsequent Events

During the period 1 July 2011 to the date of this report the Company bought back and cancelled 945,919 shares under the on-market share buyback.

On 15 August 2011 Stephen Arrowsmith was appointed Chief Financial Officer following his appointment as Acting Chief Financial officer on 15 June 2011.

On 31 August 2011 Molopo Energy Canada Limited, a subsidiary of Molopo, paid C$21.5m in company tax for the 2011 financial year. This amount has been fully provided for in the FY2011 accounts.

On 2 September 2011 the 6,180,000 shares held in Legacy Oil + Gas Inc were released from escrow.

Directors' Declaration

The Directors of Molopo Energy Limited declare that:

(a) in the Directors' opinion the financial statements and notes and the Remuneration report in the Directors' Report set out on pages 29 to 35, are in accordance with the Corporations Act 2001, including:

  (i) Giving a true and fair view of the Group's financial position as at 30 June 2011 and of its performance, for the financial year ended on that date; and

  (ii) Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and *Corporations Regulations 2001*;

(b) the financial report also complies with International Financial Reporting Standards issued by the International Accounting Standards Board, as disclosed in Note 2; and

(c) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

At the date of this declaration there are reasonable grounds to believe that the company and the group entities identified in Note 22 will be able to meet any obligations or liabilities to which they are or may have become subject to by virtue of the Deed of Cross Guarantee described in Note 29 between the company and those group entities pursuant to ASIC Class Order 98/1418

The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* by the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2011.

Signed in accordance with a resolution of the Directors.

Dated at Melbourne this 14th day of September 2011.

Greg Lewin
Director

Deloitte.

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

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Independent Auditor's Report
to the members of Molopo Energy Limited

Report on the Financial Report

We have audited the accompanying financial report of Molopo Energy Limited, which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 43 to 104.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Deloitte.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Molopo Energy Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Molopo Energy Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 29 to 35 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Molopo Energy Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Peter Jovic
Partner
Chartered Accountants
Melbourne, 14 September 2011

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ASX Additional Information

Additional information required by the Listing Rules of the Australian Stock Exchange Limited and which is not disclosed elsewhere in the Annual Report is as follows. The information is as at 29 August 2011.

Twenty largest shareholders

The names of the 20 largest holders of quoted shares are:

Shareholder	Listed ordinary shares	
	Number of shares	Percentage of ordinary shares
		(%)
J P MORGAN NOMINEES AUSTRALIA LIMITED	18,353,878	7.47
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	16,219,555	6.60
CITICORP NOMINEES PTY LIMITED	11,420,463	4.65
NATIONAL NOMINEES LIMITED	10,503,821	4.28
HOLBROOK CORPORATION PTY LTD	8,303,952	3.38
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	7,564,031	3.08
M F CUSTODIANS LTD	6,132,385	2.50
JP MORGAN NOMINEES AUSTRALIA LIMITED	5,827,047	2.37
HOCHLUNCH PTY LTD	3,635,982	1.48
COGENT NOMINEES PTY LIMITED	3,031,986	1.23
GGDT DEVELOPMENTS PTY LTD	2,700,000	1.10
CREDIT SUISSE SECURITIES (EUROPE) LTD	2,375,000	0.97
AVATAR EQUITIES PTY LTD	2,024,143	0.82
INVESTMENT HOLDINGS PTY LTD	1,876,457	0.76
RUBI HOLDINGS PTY LTD	1,700,000	0.69
R & R CORBETT PTY LTD	1,657,715	0.68
RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	1,576,290	0.64
ARRAS PTY LTD	1,300,000	0.53
QUEENSLAND INVESTMENT CORPORATION	1,243,311	0.51
DILAN CORP PTY LTD	1,200,000	0.49
Total	108,646,036	44.24

ASX Additional Information continued

Shareholder Distribution

The number of investors holding less than a marketable parcel of 746 securities ($0.67 on 29/08/2011) is 446, and together they hold 157,432 securities.

Category (number of securities)	Ordinary Shares (listed)		
	Number of holders	Number of shares	Percentage of total
			(%)
1 -1,000	812	500,417	0.20
1,001 - 5,000	2,374	6,903,533	2.81
5,001 -10,000	1,235	9,679,882	3.94
10,001 -100,000	2,091	63,661,041	25.92
100,001 - and over	223	164,834,937	67.12
Total	6,735	245,579,810	100.00

Substantial Holders

Northcape Capital Pty Ltd is a substantial holder of shares in the Company, with a holding of 15,293,348 shares.

Voting Rights

On a show of hands every shareholder present in person or by proxy holding ordinary shares in the Company shall have one vote and upon a poll each share shall have one vote. There are no voting rights attached to the options or performance share rights.

Number Of Restricted Securities

As at 29 August 2011, there were no restricted securities.

Incentive Options

As at 29 August 2011, the Group had 4,050,002 Incentive Options on issue under the Molopo Energy Limited Employee Incentive Scheme, which are not quoted on the Australian Securities Exchange. These Incentive Options are held by 23 holders.

Optionholder Distribution

Category (number of securities)	Unquoted options		
	Number of holders	Number of options	Percentage of total
			(%)
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 -10,000	-	-	-
10,001 -100,000	6	470,000	11.60
100,001 - and over	17	3,580,002	88.40
Total	23	4,050,002	100.00

Performance Share Rights

As at 29 August 2011, the Group had 344,663 Performance Share Rights (PSRs) on issue under the Molopo Energy Limited Equity Incentive Scheme, which are not quoted on the Australian Securities Exchange. These PSRs are held by 13 holders.

Performance Share Rights Distribution

Category (number of securities)	Unquoted PSR's		
	Number of holders	Number of PSR's	Percentage of total
			(%)
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	5	29,880	8.67
10,001 - 100,000	8	314,783	91.33
100,001 - and over	-	-	-
Total	13	344,663	100.00

Resource Tenements

As at 29 August 2011, the Group had an interest in the following mining tenements/licenses:

Prospect	State, Country	Equity Interest	Mining Tenement
Bowen Basin	Queensland, Australia	67.1%	ATP564P/PLA210
Bowen Basin	Queensland, Australia	67.1%	PL94 Sublease
Bowen Basin	Queensland, Australia	62.9%	ATP602P/PLA447
USA	West Virginia	50%	Various
USA	Wolfcamp, Texas	78%	Various
Canada	Quebec	100%	Various
Canada	Manitoba	SOLD	Various
Canada	Saskatchewan	100%	Various
South Africa	Free State Province and Mpumalanga	100%	Various

Glossary of Terms

2D Seismic	Abbreviation for two dimensional seismic. The output of a seismic survey which generates a 2 dimensional cross-section of the subsurface and is used primarily when initially reconnoitring for the presence of oil or gas reservoirs.
3D Seismic	Three dimensional version of 2D seismic.
2P	Proven and Probable. Definitions for oil and gas reserve classifications.
3P	Proven, Probable and Possible. Definitions for oil and gas reserve classifications.
Appraisal Well	A well drilled to determine the size of an oil and gas discovery.
Archean Fractured Basement	A geological eon before 2.5 billion years ago.
ATP	Authority To Prospect, a permit for petroleum exploration issued by the Queensland Government.
Barrel	A volumetric unit of measurement equivalent to 0.159 cubic metres or about 159 litres.
Basin	A segment of the earth's crust that has down-warped and in which sediments have accumulated.
Bbl	Barrel - a volumetric unit of measurement equivalent to 0.159 cubic metres or about 159 litres.
Black Economic Empowerment	A programme in South Africa to redress inequalities of apartheid.
Biogenic Gas	Gas created by living organisms.
Bscf	An abbreviation for billion standard cubic feet and refers to a common hydrocarbon industry term for measuring the volume of gas likely to be contained in or recovered from a reservoir, as specified.
BOPD	Barrels of oil per day
BOE	
Bowen Basin	A sedimentary basin containing Triassic and Permian sediments in Queensland, Australia.
bpd or **b/d**	Abbreviation for barrels per day.
CBM	(Also known as Coal Seam Methane) is either biogenic or thermogenic methane gas that is both generated and reservoired within coal seams.
CNG	Compressed natural gas.
Coal Bed Methane	(Also known as Coal Seam Methane) is either biogenic or thermogenic methane gas that is both generated and reservoired within coal seams.
Coal Measures	A sequence of sedimentary rocks containing coal bearing formations.
Conventional	As in conventional oil/gas stewed in a sandstone or shale resevoir.
Core	A cylindrical piece of rock taken as a sample by a special hollow drill bit.
De-watering	Artificially removing water from a coal seam to stimulate gas flow.
EL	Exploration License granted under coal title in Queensland.
Exploration Right	Formal authority to undertake exploration activity.
Fracture	A fracture is a break in a rock that can serve as both a migration pathway and a reservoir for gas, oil or water.
Gas in Place	A common hydrocarbon industry term to quantify gas resources in a location.

GJ	GJ is an abbreviation for giga joule and is a measurement of the energy value of gas. It is equivalent to 1.0 x 109 joules.
Hydrocarbon	Any liquid or gas made up of an appreciable volume of combustible organic compounds.
In-seam Drilling	A drilling technique used in coal mines to drain water and gas ahead of operations to minimise outbursts of underground water and gas
JV	Joint Venture.
Karoo Formation	Late Carboniferous to Triassic age coal bearing sedimentary geological sequence in South Africa.
km^2	Square kilometres (measure of area).
km	Kilometre (measure of distance).
LNG	Liquified natural gas.
m	Metre (measure of length).
MMcf/d	Million cubic feet per day.
MMstb	Million stock tank barrels.
Mscf	One Thousand standard cubic feet.
mD	Abbreviation for millidarcy. A measure of the permeability of a rock.
m^3/t	Cubic metres per tonne.
Methane	Methane gas is the basic component of dry gas and is generated by decaying organic matter.
MMscf	Million standard cubic feet.
MMscfd	Million standard cubic feet per day.
Multi Seam Lateral	The outcome of a directional drilling technique where drilling commences from a surface location and extends sequentially into and along several coal seams to intersect a vertical borehole to facilitate dewatering and gas drainage.
Multi-Staged Fractured	A well completion technology that places fractures in specific places in the wellbore, thus increasing the cumulative production in a shorter time frame.
Operator	An Operator runs the day to day hydrocarbon exploration and production programme on behalf of the working interest holders in the project.
PEL	Abbreviation for Petroleum Exploration Licence in New South Wales.
Permian	A period of geological time, from 280 to 225 million years ago.
Pilot	A small scale campaign or test to check conditions and operational characteristics before full scale launch.
PJ	PJ is an abbreviation for Peta joule and is a measurement of the energy value of gas. It is equivalent to 1.0 x 1015 joules.
PLA	Production Lease Application in Queensland.
PL	Production Lease granted in Queensland.
Production Right	Right to produce gas in South Africa, similar to a Petroleum Lease in Queensland.

Glossary of Terms continued

Reservoir	A rock that hosts hydrocarbon accumulations in the sub-surface and may consist of any number of rock types (although is often sandstone). Also includes permeable and porous fractured rock and coal seams.
scf/d	Abbreviated to standard cubic feet per day (1 scf/d = 0.028 cubic metres per day).
Seismic	The seismic process records the time taken for a sound wave to travel from the surface of the earth to a sub-surface rock layer and then back again. The data collected can be processed to provide a pictorial representation of sub-surface rock layers and is used extensively in hydrocarbon exploration and production.
Seismic Reprocessing	The application of modern computer based processes to enhance the interpretation of historical seismic data.
Shale Gas	Natural gas (methane) that is produced from reservoirs predominantly composed of shale with lesser amounts of other fine grained rocks.
SIS	Abbreviation for Surface to Inseam. A directional drilling method commencing from the surface and extending into and along a coal seam to intersect a distant vertical borehole to facilitate dewatering and gas drainage.
Sole Risk	Activities undertaken by a Joint Venture participant at their own risk and expense.
Stratigraphy	The study of stratified rocks, especially their sequence in time, the character of the rocks and the correlation of beds in different localities.
TCF	Abbreviation for Trillion Cubic Feet.
Tight Oil	Oil from low permeability rocks.
Tscf	Abbreviation for Trillion standard cubic feet or 1,000 Bscf (see Bscf).
TJ	TJ is an abbreviation for Tera joule and is a measurement of the energy value of gas. It is equivalent to 1.0 x 1012 joules.
Unconventional	Oil/gas stored in rock, once not considered a resevoir ie. shale, coal.
Workover	A term describing operations on a producing well to restore or increase production.

Corporate Directory

Directors

G. Lewin (Chairman)

I. Gorman (Chief Executive Director)

M. Beck (Non Exec. Director)

G. Cameron (Non Exec. Director)

G. Ross (Alternate Director to M. Beck)

B. Straub (Non Exec. Director)

Company Secretary

J. Huberman

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Auditor

Deloitte Touche Tohmatsu
550 Bourke Street
MELBOURNE, VIC 3000 AUSTRALIA

Share Registry

Link Market Services Limited
Level 1, 333 Collins Street
MELBOURNE, VIC 3000 AUSTRALIA
Telephone: (61 3) 9615 9999

Banker

National Australia Bank Limited
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MELBOURNE, VIC 3000 AUSTRALIA

Home Exchange

Australian Securities Exchange Limited
Level 3, 530 Collins Street
MELBOURNE, VIC 3000 AUSTRALIA

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