



MOLOPO ENERGY LIMITED

Quarterly Report

September 2011

Highlights

- Drilling commenced in Molopo's Bakken acreage in western Canada and two wells are now underway. Subsequent to the end of the Quarter, the first well has been fracture stimulated ("fracked") and showed encouraging early results on flow back
- The Molopo operated Torquay exploration well encountered positive hydrocarbon indications and is being horizontally sidetracked to test lateral extent
- Drilling is underway in Molopo's Permian basin acreage in west Texas. Subsequent to the end of the Quarter, the first well has been logged and confirms the presence of the Wolfcamp interval at a depth of 5,100 to 6,200 feet
- Molopo acquired a further 3,077 gross acres of land contiguous with the existing land position in the Permian basin during August
- Cash backing of \$110m comprising cash reserves of \$59.5m plus \$51.0m of equity investments at the end of the Quarter

About Molopo Energy Limited

Molopo Energy Limited is an ASX listed company with a portfolio of unconventional oil and gas projects located in North America, Australia and South Africa.

North America

- Canada – Saskatchewan (oil), Quebec (gas)
- United States of America – Texas (oil and gas)

Australia

- Coal Bed Methane assets in Queensland

South Africa

- Evander & Virginia gas projects

Molopo's strategy is one of Focused Growth: building a core of producing assets; continuing to grow the Exploration portfolio through selective acquisitions; monetising non-core assets. Molopo is well funded to pursue this strategy.

Near-term focus: to assess the potential in Molopo's Saskatchewan and Texas exploration assets through seismic and drilling of between 9 and 13 gross wells during 2011/early 2012; to obtain a Production Right for South Africa; and to progress the divestment of the Queensland CBM gas assets.

ASX Code:	MPO
Share Price ¹ :	A\$0.71
Market Cap ¹ :	A\$172M
Net Cash ² :	A\$59.5m

1. Market figures as at 28 Oct 2011

2. Balance sheet amounts as at 30 Sept 2011



SALES VOLUMES AND REVENUE

Molopo Share	Q1 FY12	Q4 FY11	Change %
Sales Volume (boe)	14,980	16,317	-8%
Revenue (A\$)	259,028	284,327	-9%

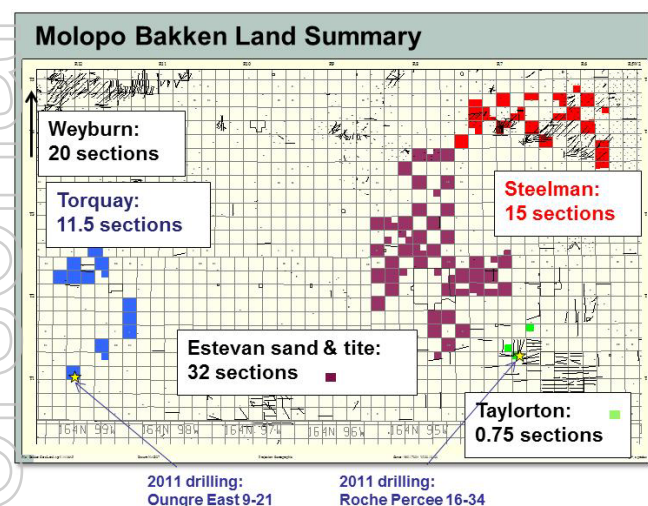
There were no sales volumes in Canada during the Quarter, though production recommenced in August after severe flooding had restricted site access.

Gas sales from the Mungi Gas Field in Queensland were approximately 87 TJ.

PROJECT REVIEW

CANADA

SASKATCHEWAN TIGHT OIL – BAKKEN (100% Working interest)



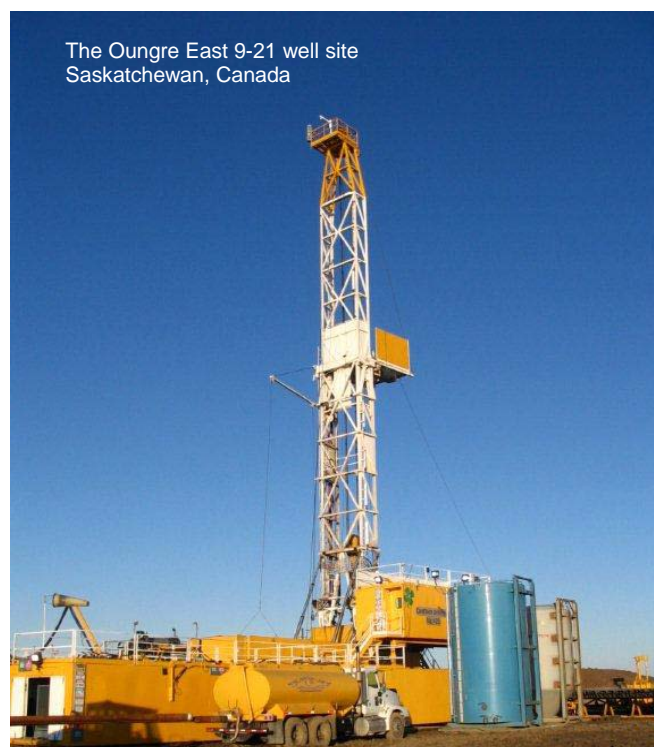
Molopo holds a 100% working interest in 46,168 acres and four producing wells in South Eastern Saskatchewan, with the Bakken formation being the primary target.

Drilling commenced in August on the first of Molopo's targeted 7-10 gross well exploration and development program for FY2012. These wells are a combination of 100% working interest Molopo operated wells and non-operated minority interest wells in some locations where the Company is pooling land with adjacent operators.

During the Quarter, drilling in Molopo's pooled non-operated well, Roche Percee 16-34, in the Taylorton

area reached a total depth of 3,717m. Subsequent to the end of the Quarter, the well was fraced and is currently flowing back oil at encouraging rates.

Molopo commenced drilling its first Torquay well (Oungre East 9-21) in mid-October. Further details on these October activities are included in the October Operational Update released to the ASX on 31 October 2011.



Molopo's extensive 3D seismic acquisition in the Bakken has been completed; processing and interpretation should be complete by the end of December 2011.

The results of this seismic survey will be integrated with Molopo's regional geological framework to enhance its understanding of the Bakken formation within its acreage, as well as to evaluate prospective uphole Mississippian reservoirs in this area. This analysis, together with the results of the recently commenced drilling program, will be used to develop the exploration and development plan for 2012.

Production from Molopo's four producing wells in the Bakken recommenced during August (~30bpd total). The wells had been shut in for five months due to site access restrictions following extensive flooding in this part of Saskatchewan. Volumes from these wells do not appear in Molopo's reported sales volumes since the wells are classified as being in the exploration phase.

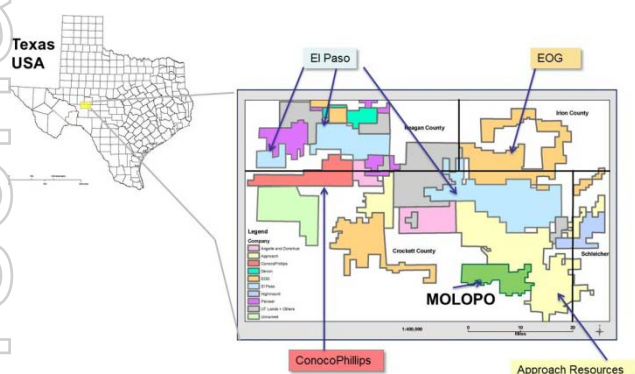
QUEBEC SHALE GAS (100% Working Interest)

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

The moratorium on fracking in the Quebec lowlands, which was brought into effect by the Quebec government through Bill 18 during the previous quarter, remains in effect. As foreshadowed in Molopo's June 2011 Quarterly, only one of Molopo's permits in the St. Lawrence River area was revoked under Bill 18, affecting only ~38,500 acres of Molopo's position.

Quebec remains a potentially attractive longer term investment opportunity for Molopo. During the moratorium 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 OF AMERICA



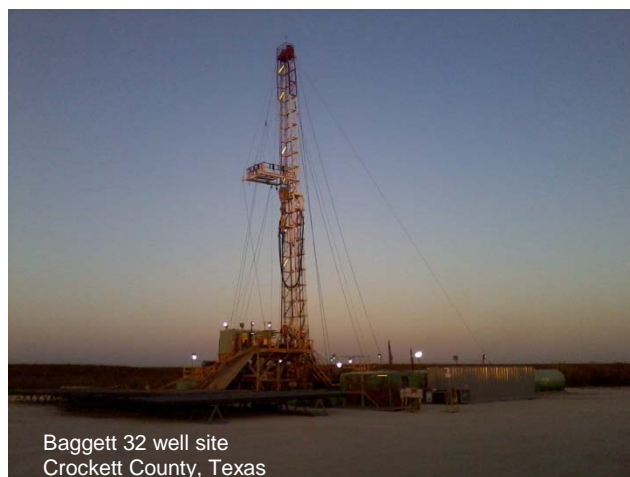
TEXAS TIGHT OIL - WOLFCAMP (78% initially, reducing to 62.4% after Partner back-in rights)

Molopo's Wolfcamp oil resource play interests are located in the Permian basin of West Texas. The ~25,000 gross acre position is known as the "Fiesta Project".

Molopo is targeting the Wolfcamp formation, the top of which is expected to be at a vertical depth range of between 5,000 and 7,500 feet across the Company's acreage. Total gross thickness of the interval is expected to be approximately 1,200 feet and is believed to contain several prospective sequences in the Upper, Middle and Lower Wolfcamp. Other oil and gas targets may also exist in both shallower and deeper sequences, offering potential for additional hydrocarbon reserves and production.

A 3D seismic survey was purchased during the Quarter and is being interpreted. A proprietary 3D survey will be acquired in Q1 2012, to assist in developing the 2012 drilling program.

Molopo commenced its Wolfcamp asset exploration drilling program subsequent to the end of the Quarter. Two wells are now underway; further details can be found in the October Operational Update.



Molopo's aim in the Fiesta Project is to drill two to three vertical wells and then sidetrack these to production test up to three horizontal wells with results expected in Q1 2012, once initial flows have stabilised.

In August, Molopo acquired an additional 3,077 gross acres (~2,400 net) contiguous with its existing land position. The lease on this land is currently scheduled to expire in November 2011 (unless held by drilling). Molopo is negotiating to achieve an extension and will update the market in due course.

AUSTRALIA - BOWEN BASIN, QUEENSLAND

In line with Molopo's strategy announced in April, Molopo's Bowen Basin Queensland asset sale process is continuing and is expected to be finalised by the end of this year. Lazard is advising on this process.

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

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

Molopo's Mungi Gas Field operations continued to focus on production from pilot wells and well monitoring throughout the Quarter.



Gas production on 30 September was 0.12 MMscfd. A well workover program was completed on MN23V, MN20V and MN20Va during the Quarter. The operations on MN23V involved a successful pump replacement followed by a return to dewatering. In MN20Va, parted sucker rods and production tubing were found during the workover operations. The crane rig used for these operations was unsuitable to perform the remediation works on this well.

In MN20V, the pump was replaced and the well was returned to production. Production in this well peaked at 1.28MMscfd on 11 August with a subsequent decline in production shortly thereafter due to a pump failure.

Molopo's share of production (after deducting its own use consumption for compression) and gas sales from the Mungi Gas Field for the Quarter were 87 TJ, which represented an 8% decrease on the previous Quarter's volume of 95 TJ, for the reasons noted above.

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

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

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

Exploration activity in these projects remains on hold while the Queensland Bowen Basin asset sale progresses.

SOUTH AFRICA (100% interest)

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

Molopo continues to work with Government authorities on expediting the granting of the Production Right following Molopo's submission of an application over an initial 0.2 million acres in the Virginia area. All the relevant documentation, including the shareholders' agreements with the Company's Black Economic Empowerment (BEE) partners, has been submitted to the Petroleum Association South Africa ("PASA") and discussions are underway to finalise. The award of the Production Right is expected this Quarter.

The Production Right is one of the key conditions precedent in the Gas Sales Agreement between Molopo and Novo Energy (NOVO) on a contract for

the initial sale of approximately 600,000 scf/d (with right of first refusal to increase up to 8.2 MMscf/d) of gas to be converted to compressed natural gas (CNG) by NOVO for use in vehicles.

The drilling of two Exploration wells was completed during the previous quarter in the Virginia area, with both wells encountering gas indications. Production testing on HZON01 continued during the Quarter, with gas rates reported in the range from 30,000 – 42,000 cfd from fractured Archean basement (the primary target). The final coal core analysis results obtained from samples cut in the HZON01 and HPAL01 wells are being analysed. The analysis aims to determine the gas content of coals from the Karoo Super Group sediments.

Gas flow monitoring of the Virginia boreholes continued during the Quarter. Total gas production from the 11 monitored boreholes continue to flow at a rate of approximately 1.3 MMcf/d, and a further 0.3 MMcf/d flow rate is being achieved from the six boreholes in the Evander area.

CORPORATE

During the Quarter, the Company completed the reorganisation to a functionally based structure, which began following the strategy launch in April 2011. This reorganisation, combined with the increased geographical focus of the Company, has resulted in a reduction in overall staff numbers by ~20% to a total of some 33 employees at the end of the Quarter. The new leadership team is complete with the appointment during the Quarter of a new VP Exploration, VP Land and Business Development, Head of Strategy and Investor Relations, and the appointment of Molopo's acting CFO to the permanent role.

Cash and Debt

At the end of the Quarter, Molopo had approximately \$59.5m of cash reserves, \$51.0m in equity investments and no debt.

The movement in cash reserve from the previous quarter's balance was \$31.89m which includes a Company taxation payment of \$20.7m (~C\$22m). Exploration and development investment was \$6.59m and administration overhead was \$2.9m for the Quarter, in line with expectations. The administrative overheads include one off payments in relation to annual insurance and FY2011 audit fees.



During the Quarter, the Company incurred costs of \$243k in relation to the Queensland asset sale process which is underway.

On-Market Buyback

Molopo's on-market buyback remained suspended during the Quarter as a result of the preparation of the Company's annual accounts, as well as the Queensland sale process. To date, Molopo has bought back and cancelled 5,572,512 shares, and intends to recommence the buyback as soon as it is possible.

Equity Holdings

Molopo holds 6,180,000 shares in Legacy Oil + Gas Inc, which came out of escrow 2 September 2011. The value of the Legacy holding had, subsequent to the end of the Quarter, recovered by approximately \$10m as global markets re-bounded from their August/September lows.

Subsequent to the end of the Quarter, Molopo sold its holding in Metgasco Ltd (3,916,193 shares) for net proceeds of \$2,200,480.

Legal Claim

The legal claim by Molopo Energy Canada Ltd's former joint venture partner is continuing in the ordinary course. No Court date has yet been set and the standard preparatory processes are being undertaken.

Shareholder Communications

In August, Molopo commenced a monthly Operational Update at the end of each month to keep the market appropriately informed given the increased activity with the start of drilling in North America.

A series of engagements with existing and potential new investors continued during the Quarter, primarily in North America and Australia.

The trend of increasing institutional presence on the share register has continued during the Quarter, with institutions representing ~ 34% of the shareholder base at end September, as compared to ~29% in February 2011.

AGM

Molopo will hold its AGM at 10am, 17 November 2011 at The Rendezvous Hotel, Flinders Street, Melbourne. The Notice of Meeting has been dispatched and proxy voting closes at 10am on 15

November 2011. The Board recommends that shareholders vote 'For' all resolutions. The leadership team and the Board will be available for discussions after the meeting.

MOLOPO ENERGY LIMITED

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Rule 5.3

Appendix 5B

Mining exploration entity quarterly report

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

Name of entity

MOLOPO ENERGY LIMITED

ABN

79 003 152 154

Quarter ended ("current quarter")

30 September 2011

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (3 months) \$A'000
1.1	Receipts from product sales and related debtors	436	436
1.2	Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(5,895) (694) (619) (2,861)	(5,895) (694) (619) (2,861)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	357	357
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid	(20,660)	(20,660)
1.7	Other (Joint venture recoveries)	76	76
Net Operating Cash Flows		(29,860)	(29,860)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	(677) (511)	(677) (511)
1.9	Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets (d) financial instruments	(243)	(243)
1.10	Loans to other entities		
1.11	Loans repaid by other entities		
1.12	Other (provide details if material)		
Net investing cash flows		(1,431)	(1,431)
1.13	Total operating and investing cash flows (carried forward)	(31,291)	(31,291)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(31,291)	(31,291)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.		
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (provide details if material) Share buyback	(878)	(878)
		(878)	(878)
	Net increase (decrease) in cash held	(32,169)	(32,169)
1.20	Cash at beginning of quarter/year to date	91,344	91,344
1.21	Exchange rate adjustments to item 1.20	278	278
1.22	Cash at end of quarter	59,453	59,453

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

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	272
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

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

Non-cash financing and investing activities

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

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

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

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

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	21,720
4.2 Development	10,350
4.3 Production (net of sales proceeds)	(439)
4.4 Administration (net of interest received)	2,982
Total	34,613

Reconciliation of cash

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

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	59,082	91,141
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (Bank Guarantees)	371	203
Total: cash at end of quarter (item 1.22)	59,453	91,344

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	USA (West Virginia)	Lease	1,430.07 acres	1,276.80 acres

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity quarterly report

6.2	Interests in mining tenements acquired or increased	Bakken, Canada	Licence	45,648 net acres	46,168 net acres
		Wolfcamp, Texas USA	Licence	16,732 net acres	19,165 net acres

Issued and quoted securities at end of current quarter

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

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference +securities (description)				
7.2	Changes during quarter				
	(a) Increases through issues				
	(b) Decreases through returns of capital, buy-backs, redemptions				
7.3	+Ordinary securities	245,579,810	245,579,810		
7.4	Changes during quarter				
	(a) Increases through issues	300,000	300,000		
	(b) Decreases through returns of capital, buy-backs	(1,469,417)	(1,469,417)		
7.5	+Convertible debt securities (description)				
7.6	Changes during quarter				
	(a) Increases through issues				
	(b) Decreases through securities matured, converted				

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

7.7	Options (Unlisted mgmt incentive options)			<i>Exercise price (A\$)</i>	<i>Expiry date</i>
	MPOAB	400,000	-	\$0.85	20 Jan 2012
	MPOAW	250,000	-	\$1.29	25 June 2012
	MPOAB	100,000	-	\$1.60	17 December 2012
	MPOAE	800,000	-	\$1.56	17 December 2012 (Cancelled subsequent to end of Quarter)
	MPOAB	150,000	-	\$1.46	17 December 2012
	MPOAC	115,000	-	\$1.42	15 March 2013
	MPOAD	100,000	-	\$1.45	25 March 2013
	MPOAF	200,000	-	\$1.66	17 December 2012
	MPOAG	35,000	-	\$1.21	1 April 2013
	MPOAH	175,000	-	\$1.50	28 February 2013
	MPOAJ	250,000	-	\$1.50	28 February 2013
	MPOAB	150,000	-	\$1.63	21 December 2012
	MPOAB	135,000	-	\$1.45	14 April 2013
	MPOAB	140,000	-	\$1.46	18 April 2013
	MPOAB	280,000	-	\$1.23	31 May 2013
	MPOAB	95,000	-	\$1.22	28 July 2013
	MPOAB	160,000	-	\$1.17	6 December, 2013
	MPOAB	115,000	-	\$1.04	4 April, 2014
	MPOAB	250,002	-	\$0.80	30 May, 2016
	MPOAB	150,000	-	\$0.80	30 May, 2016
		4,050,002	-		
7.8	Issued during quarter	150,000	-	\$0.80	30 May, 2016
7.9	Exercised during quarter	300,000	-	\$0.33	29 July, 2011

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

7.10	Expired during quarter	800,000		\$1.84	3 July, 2011
7.11	Performance Share Rights	<i>Number on issue</i>			<i>Vesting date</i>
		167,984			30 June 2012
		167,980			30 June 2013
		167,974			30 June 2014
		18,729			4 July 2012
		18,728			4 July 2013
		18,728			4 July 2014
		53,512			18 July 2012
		53,512			18 July 2013
		53,512			18 July 2014
		59,800			15 August 2012
		59,800			15 August 2013
		59,800			15 August 2014
		900,059			
7.12	Vested during quarter	-			
7.13	Lapsed during quarter	-			
7.14	Debentures (totals only)	-			
	Unsecured notes (totals only)	-			

Compliance statement

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



Sign here:
 (Company Secretary)

Date: 31 October 2011

Print name: Jessica Huberman

+ See chapter 19 for defined terms.

Notes

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

+ See chapter 19 for defined terms.