



ASX ANNOUNCEMENT / MEDIA RELEASE

03 January 2013

MOLOPO ENERGY ANNOUNCES MESSAGE TO SHAREHOLDERS, DECEMBER 2012 OPERATIONAL UPDATE & CORPORATE CHANGES

Molopo Energy Limited (ASX:MPO) today announces a message to shareholders along with the monthly operational and corporate update on our activities and progress achieved through December.

MESSAGE TO SHAREHOLDERS

Tim Granger, CEO and Managing Director

Dear fellow shareholders:

In light of recent market activity, and questions regarding Molopo's drilling plans, I wanted to take this opportunity to share my views and provide context for you. I am disappointed that Molopo's year end exit rate will not meet our initial forecast, and am frustrated with lower than anticipated initial production rates from our drilling in Fiesta. The market's reaction mirrors this sentiment as our shares have traded to a price that is around the value of our projected cash balance per share, which excludes any value for our production, land base and large resource potential. However, I firmly believe that the true value of Molopo's high quality assets is yet to be realized. Through prudent investment in our assets along with the resultant production, cash flow and reserves growth, this value will be unlocked.

As I mentioned in my recent AGM presentation, the Wolfcamp is an emerging play that is still in its infancy, with only 2-3 years of exploration and development behind it. However, it is a vast resource, and Molopo is able to offer shareholders exposure to that resource. There is no question that our assets in Barnhart and Fiesta have producible hydrocarbons, which mitigates one of the most significant risks inherent in oil and gas exploration and development – whether a company will find oil or gas.

Despite the presence of producible hydrocarbons, there were many unknowns at the time we set our 2012 calendar year forecasts because valid well data from drilling on our acreage were not yet available (referred to as 'type curves'). Our 2,100 boe/d target exit rate was based on type curves we could obtain from other, third party analogous wells within the Wolfcamp. In Fiesta, we adjusted the available type curves downward to account for shallower depth and lower pressure in that part of the reservoir. However, until we drilled in Fiesta, we could not accurately predict how those wells would produce. Ultimately, the type curves used in forecasting were not reflective of the actual well data produced from drilling on our land, including the rate the wells would decline from their initial production levels. Since we did not have compatible type curves when making our original forecasts, it was expected that wells would come on production at higher rates, and then decline more slowly than what was actually observed.

Four of the six wells drilled in the second half of 2012 came on production through the last quarter, and continued fluctuations in volumes contributed to uncertainty about where the wells would ultimately stabilize through year end. During November, Molopo anticipated that production from our last two wells in the budget, Baggett 54-1H and Barnhart 24-2H, would be on production by the end of the year, enabling the Company to meet (or come very close to) its forecast 2,100 boe/d exit rate.

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However, the Barnhart 24-2H well was drilled and completed too late in 2012 to contribute production until early 2013, which immediately reduced our exit rate by up to 600 boe/d. Further, the Baggett 54-1H well reached a peak production level of 431 boe/d which was lower than expected, and with declines that well contributed approximately 240 boe/d through the last week of December. The combined impact of these two wells coupled with the lower contributions from existing wells has resulted in Molopo's revised forecast exit wellhead production rate of approximately 1,000 boe/d.

We have gained significant data and learning from our drilling through 2012 and now have valid well data and type curves from our acreage. Although we are still determining the estimated ultimate recovery (EUR) from our wells, given our access to this large oil resource, we are confident that our assets in the Wolfcamp can be developed economically with cost structure adjustments.

The key to successful economic development depends on our ability to grow production, reserves and cash flow, ultimately generating positive value for the organisation. This growth is highly dependent on costs and commodity prices. In light of the current commodity price environment, we intend on delivering a capital program for 2013 with reduced overall program costs which can generate growth in shareholder value. With cost reductions and a drilling program targeting areas offering the highest potential, we believe that positive returns can be generated for shareholders.

In summary, we greatly appreciate the support of our shareholders and look forward to continued communications with you as we progress with the 2013 budget and future drilling strategy.

Yours sincerely,

Tim Granger
CEO & Managing Director
Molopo Energy Limited

DECEMBER OPERATIONAL UPDATE

- Molopo's first Bench B well drilled in Fiesta, Baggett 54-1H has achieved an initial 30 day production rate (IP30) of 238 boe/d, consisting of 59 bbl/d of oil, 79 bbl/d of natural gas liquids and 600 mcf/d of natural gas;
- Completion of the last well drilled in calendar 2012, Barnhart 24-2H, concluded on 16 December, and flow back of the load fluid commenced 30 December. Initial production figures for this well are expected to be available in mid to late January and will be reported at that time.

PRODUCTION

- Production in November 2012 was consistent with the prior month, and totaled 938 boe/d, with 88% coming from Texas (825 boe/d), and 12% coming from Saskatchewan (113 bbl/d). The breakdown in November by product was 42% light, sweet crude oil; 22% natural gas liquids; and 36% natural gas.

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TEXAS DRILLING RESULTS¹ – WELL BY WELL SUMMARY:

			Peak 24 Hour Rate ²		IP30 Rate ³	
	Target Bench	Status as at Dec. 31, 2012	BOE (boe/d)	Product Split	BOE (boe/d)	Product Split
Barnhart						
Linthicum Washington 36-2H	B	On production; investigating optimization opportunities to further enhance production	742	Oil & Liquids: 86% Nat. Gas: 14%	403	Oil & Liquids: 71% Nat. Gas: 29%
Linthicum Washington 36-1H	B	On production; investigating optimization opportunities to further enhance production	792	Oil & Liquids: 89% Nat. Gas: 11%	460	Oil & Liquids: 70% Nat. Gas: 30%
Linthicum Washington 24-2H	B	On flow back; 1.8% of load fluid recovered	n/a	n/a	n/a	n/a
Fiesta						
Baggett 16-1H	A	On production; investigating optimization opportunities to further enhance production	375	Oil & Liquids: 43% Nat. Gas: 57%	244	Oil & Liquids: 60% Nat. Gas: 40%
Baggett 40-2H	A	On production; investigating optimization opportunities to further enhance production	455	Oil & Liquids: 74% Nat. Gas: 26%	250	Oil & Liquids: 76% Nat. Gas: 24%
Baggett 54-1H	B	On production; investigating optimization opportunities to further enhance production	431	Oil & Liquids: 61% Nat. Gas: 39%	238	Oil & Liquids: 58% Nat. Gas: 42%

¹Based on wells drilled in the second half of calendar year 2012

²The peak 24 hour production rate is the highest hydrocarbon rate achieved since the well came on production

³The IP30 rate is the average rate the wells produced at after 30 consecutive days of production, excluding down time

2013 CAPITAL BUDGET

- Molopo continues to develop its 2013 capital budget and forecasts. Based on the drilling and technical analysis done in Barnhart and Fiesta during the 2012 calendar year, we have assembled valuable data regarding reservoir characteristics and deliverability across our acreage that will drive economics going forward. We are finalising our development strategy using well performance and type curves reflecting the actual production in each area. This will enable us to prioritise the development of our asset base in light of current commodity prices, and focus on growing production and reserves while prudently investing capital. Our 2013 capital program will feature reduced overall program costs that will drive improved well economics. We anticipate releasing details of this budget in late January / early February upon approval by the Board.

CORPORATE UPDATE

- Effective 21 January 2013, Molopo will change our share registry agents from Link Market Services to Computershare Investor Services Pty Limited. Following that date, shareholders will be able to access details of their shareholding via the Investor Centre on Computershare's website, at www.computershare.com.au. Contact information for Computershare will be available on Molopo's website under the Investor Relations section and is listed at the end of this announcement.
- As previously announced Molopo has changed its financial year end to 31 December and its presentational currency to US dollars. Consequently, the Company's next results announcement will be

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for a stub financial year, being the six month period ending 31 December 2012. The current financial year will be for 12 months ending 31 December 2013.

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This press release contains certain forward-looking statements. These statements relate to future events or future performance of the Company. When used in this press release, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "estimate", "predict", "seek", "propose", "expect", "potential", "continue", and similar expressions, are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties, and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Such statements reflect the Company's current views with respect to certain events, and are subject to a number of risks, uncertainties and assumptions. Many factors could cause Molopo's actual results, performance, or achievements to materially differ from those described in this press release. Should one or more of these risks or uncertainties materialize, or should assumptions underlying forward-looking statements prove incorrect, actual results may vary materially from those described in other public disclosures made by the Company or this press release as intended, planned, anticipated, believed, estimated, or expected. Furthermore, statements relating to "reserves" or "resources" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions that the resources and reserves described can be produced profitably in the future. The forward-looking statements contained in this press release are expressly qualified in their entirety by this cautionary declaration. These statements speak only as of the date of this press release. The Company does not intend and does not assume any obligation, to update these forward-looking statements to reflect new information, subsequent events or otherwise, except as required by law.

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