



## Quarterly Report

September 2012

### Highlights

- Oil and gas production averaged 402 boepd during the Quarter, consistent with the 409 boepd recorded in the prior quarter, but not yet reflecting production volumes anticipated to be added through calendar year end 2012 as a result of drilling in Texas. Production during the Quarter was 71% oil, 14% natural gas liquids (NGLs) and 15% natural gas;
- Initial results from Molopo's first Barnhart well, 36-2H Linthicum Washington, were announced August 30, 2012 and met expectations, with further updates announced October 25;
- Continued with an active drilling and completion program in Texas, resulting in 4 wells commencing flow back and hydrocarbon production through the end of the Quarter. A fifth well was drilled and commenced completion through the month of October;
- Announced the divestment of Molopo's Queensland asset for \$41 million plus a \$2.4 million adjustment for working capital, which is scheduled to close November 1, 2012. This sale sharpens Molopo's focus on the Wolfcamp, and adds to the Company's strong financial position for further drilling in 2013;
- Continued to maintain a strong balance sheet with \$52.2 million in cash at the end of the Quarter, which will be further bolstered by proceeds from the closing of the Queensland sale; and
- Received the first onshore natural gas production right in South Africa.

### TEXAS DRILLING RESULTS<sup>1</sup> - WELL BY WELL SUMMARY:

Area & Well	Target Bench	Status as at October 30, 2012	Peak 24 Hour Production Rate <sup>2</sup>				
			BOE (boe/d)	Oil (bbld)	NGLs (bbld)	Natural Gas (mcf/d)	Load Fluid (bbl/d)
Barnhart – Linthicum Washington 36-2H	B	On production and investigating optimization opportunities to further enhance production	742	525	109	644	-
Barnhart – Linthicum Washington 36-1H	B	Hydrocarbon production and still cleaning up; recovery of load fluid ongoing	792	628	91	536	450
Fiesta – Baggett 16-1H	A	Hydrocarbon production, still cleaning up with high volumes of load fluid	375 <sup>3</sup>	63	100	1,272	1,230
Fiesta – Baggett 40-2H	A	Early stages of hydrocarbon production, continued clean up with high volumes of load fluid	455 <sup>3</sup>	288	48	715	1,570
Fiesta – Baggett 54-1H	B	Completion underway	Not available (N/A)	N/A	N/A	N/A	N/A

<sup>1</sup>Based on wells drilled in the second half of calendar year 2012

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

<sup>3</sup>As these wells are still in clean up, the peak rate may increase; further updates will be provided once rates stabilize

Note: All values referenced herein are Australian dollars (A\$) unless otherwise stated.

## **OPERATIONS UPDATE FOR QUARTER ENDED SEPTEMBER 30 AND OCTOBER 2012 MONTHLY UPDATE**

### **TEXAS SHALE OIL - WOLFCAMP**

Molopo's two key areas in the Permian Basin in Texas are Barnhart and Fiesta, where the Company is targeting development of the Wolfcamp oil shale resource play. Barnhart is the Company's smaller but more developmental land base with approximately 1,400 acres. At 24,600 acres, Fiesta is larger and represents the more significant land base. This area is situated further south in the play, and is therefore more exploratory in nature.

Through the Quarter, Molopo invested \$13.5 million in its Texas assets, and drilled and completed 4 wells between Barnhart and Fiesta. Three of those wells commenced flow back during the Quarter yet only 1 of the 4 wells contributed to production during the period. In Texas, Molopo has licensed one additional well in Barnhart, targeting Bench B, and an additional well in Fiesta, also targeting Bench B. Licenses pertaining to the 2013 capital program are well underway and details regarding the year's program will be communicated in late November.

Following is a discussion about Molopo's progress and status of development in Texas both through the Company's first financial Quarter, as well as for the month of October, 2012. Overall, the team is very pleased with the results of the drilling program, and encouraged by the performance of the wells thus far. As the wells continue to produce and additional well performance data is obtained, additional drilling targets and locations will be selected, including the drilling of another location in the Barnhart area before the end of 2012.

#### **Fiesta Project**

Through July and August, Molopo concluded the drilling and completion of the Baggett 16-1H well targeting Bench A, which is the first long lateral horizontal (1.5 miles) in the Fiesta block. The well was fracture stimulated with approximately 34 stages using a slickwater fluid, and was put on gas lift on September 7, 2012. Through September and the month of October, Baggett 16-1H continued to flow back large volumes of fracing fluid, averaging approximately 1,500 bbl/d, and to date has produced approximately 34% of the total load fluid. The high sustained rates accompanied by the high volumes of load fluid recovered are very intriguing, but until the well stabilizes, the ultimate productive capacity of the

well remains undetermined. Recovering significant amounts of load fluid should result in a cleaner well bore, meaning fewer impediments to the hydrocarbon flow over the longer term.

On September 30, 2012 the Baggett 16-1H well commenced oil shows, and as at October 29, 2012, the well was continuing to clean up. Since commencing production, the peak 24 hour hydrocarbon rate was 375 boe/d, comprising approximately 63 bbl/d of crude oil, 100 bbl/d of NGL's and 1,272 mcf/d of natural gas, plus 1,230 bbl/d of load fluid. Molopo will continue to provide updates on this well as information becomes available.

Molopo drilled a second well in Fiesta in September, Baggett 40-2H, for an approximate lateral length of 8,000 feet, also targeting Bench A. Completion of this well commenced on September 24, and was put on gas lift in mid-October. On October 24, 2012 (North America) the well produced measurable oil rates, and Molopo is pleased to report that the peak 24 hour hydrocarbon production rate for the well thus far was 455 boe/d, comprising approximately 288 bbl/d of crude oil, 48 bbl/d of NGL's and 715 mcf/d of natural gas plus approximately 1,570 bbl/d of load fluid. The well continues to clean up with approximately 20% of load fluid recovered to date, and further rates will be announced as obtained.

A third well was drilled in Fiesta toward the end of the Quarter, Baggett 54-1H, for an approximate lateral length of 7,490 feet, which is significant because it is the first Fiesta well to target Bench B. This well commenced completion on October 24, 2012 and immediately following completion, the well will be put on gas lift. Results from that well will be provided as flow back and hydrocarbon production commence.

As a result of extensive core work and analysis done on prior drills in Fiesta, Molopo confirmed that all three Benches in the Wolfcamp appear prospective. Bench A and Bench B appear to have the best characteristics and are therefore initial targets. As a result of drilling into both Benches in Fiesta, Molopo will have data and well performance indicators from both Bench A and Bench B. This will facilitate a broader understanding of the reservoir, provide indications of well performance characteristics, and help to plan the optimal future drilling targets.

**Barnhart Project**

In addition to its Fiesta acreage, Molopo also holds 1,400 acres to the north, near the town of Barnhart, Texas, which is referred to as the Barnhart Project. This acreage is surrounded by land held by other active operators, and is more developmental than the Fiesta acreage.

Through May and June of 2012, the first Barnhart well, Linthicum-Washington 36-2H, was drilled and in July was completed with a 34-stage slickwater frac. Initial results from that well were released August 30, 2012, and an update provided on October 25, 2012, which indicated that the maximum 24 hour initial production (IP) rate was 742 boe/d, comprising approximately 525 bbl/d of crude oil, 109 bbl/d of natural gas liquids (NGL) and 644 mcf/d of natural gas. The IP30 rate for this well was approximately 400 boe/d.

However, production from the Linthicum Washington 36-2H well was intermittent during September due to the well being taken off line following operational disruptions by a third party which impacted the well's gas lift system. The well has been put back on gas lift, but wells of this nature will often take additional time to stabilize after such interruptions. The performance of this well will be monitored as production continues, and Molopo is also investigating some optimization opportunities to further enhance the production from this well.

Molopo's second Barnhart well, Linthicum-Washington 36-1H, is also targeting Bench B and has been on gas lift for 29 days. The well continues to flow back high levels of fracing fluid and as of October 25, 2012 was producing approximately 450 bbl/d of load fluid. The peak 24 hour rate since the well came on production was 792 boe/d, comprising approximately 628 bbl/d of crude oil, 91 bbl/d of NGLs and 536 mcf/d of natural gas. An IP30 rate will be provided once the well has been on production for 30 consecutive days.

**SASKATCHEWAN – MIDALE POTENTIAL**

Molopo holds approximately 47,000 acres in South Eastern Saskatchewan with some interesting potential from the Midale formation. Molopo's production from Saskatchewan comes primarily from non-operated wells in the Taylorton pool in the Bakken, and during the quarter averaged 177 bbl/d of light, sweet crude oil.

In light of the smaller impact of Saskatchewan relative to Molopo's overall reserves and production potential, the Company has elected to shift capital from Saskatchewan to Texas, and has only drilled 1 of the 4 wells budgeted in calendar year 2012. An optimal future development strategy in Saskatchewan is currently being evaluated by Molopo's technical team.

**QUEBEC SHALE GAS**

Molopo holds approximately 1.4 million net acres of exploration acreage targeting the Utica shale in the province of Quebec, Canada which is currently subject to a provincially imposed moratorium. Molopo has no current capital investment plans for this asset, but during the moratorium, both the tenure clock and leasehold payments are 'frozen'. This asset represents a future 'option' on natural gas for Molopo shareholders.

**QUEENSLAND, AUSTRALIA**

On October 18, 2012, Molopo received confirmation that all regulatory approvals were received and the final condition for the sale of its Queensland asset had been satisfied. As a result, closing of the transaction and receipt of proceeds (\$41 million plus a capital adjustment) is expected on November 1, 2012.

**SOUTH AFRICA – BIOGENIC GAS**

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

On September 21, 2012 Molopo was pleased to receive the first onshore natural gas production right in South Africa. The initial phase of development of this project will be the tie-in of 4 of the 11 pilot production wells where gas flow of approximately 1.2 mmcf/d continues. The capital investment outlined in the production right is approximately \$2.4 million in the first year, \$3.9 million in the second year, and \$8.6 million in the third year; totalling \$14.9 million over the three year period.

**CORPORATE**

**Corporate Governance**

Following the announcement of Molopo’s year end 2012 financial accounts in September, restrictions on Directors participating in the market for Molopo securities was lifted. In mid-September, all members of Molopo’s Board of Directors and numerous members of management acquired Molopo shares in the open market, further aligning with shareholders through increased ownership positions.

**Cash and Debt**

At the end of the Quarter, Molopo had approximately \$52.2 million cash and no debt, compared with \$65 million at the beginning of the Quarter. Following closing of the Queensland sale slated for November 1, 2012 the cash balance will increase by \$41 million.

**Legal Claim** The legal claim by a former joint venture partner is continuing in the ordinary course. No Court date has yet been set.

**Annual General Meeting (AGM)**

The Annual General Meeting of Molopo Energy Limited will be held on Thursday, November 22, 2012 at 10:00am at the Westin Hotel Melbourne. Details of the items of business to be voted on by shareholders is available in the Notice of Meeting document lodged on the ASX Announcements page of Molopo’s website, and a webcast of the AGM will also be available live and archived, and can be accessed on the ‘Webcasts’ page of Molopo’s website. Visit [www.molopoenergy.com.au](http://www.molopoenergy.com.au) for further information.

**OCTOBER OPERATIONAL UPDATE**

As discussed previously in this release, drilling and completion operations in Texas progressed well during the month of October, and Molopo continued to execute on the Company’s capital program as outlined above.

Production for the month of September was 460 boepd, weighted approximately 82% to crude oil & and liquids, and 18% to natural gas. This production was comprised of 283 boe/d from the wells in Texas and 177 bbl/d of light, sweet crude oil from Saskatchewan. As previously reported on October 25, 2012, Molopo’s aggregate productive capacity ranges between approximately 1,100 and 1,300 boe/d.

With the anticipated contribution from the 5 wells drilled to date in Texas, new production additions are coming on-line at staggered intervals through the balance of the year. As previously indicated, capital in calendar year 2012 was reduced in Saskatchewan relative to budget, and will result in approximately 200 bbl/d less production being contributed from that area. Molopo’s exit rate reflects this revision and is anticipated to be approximately 2,100 boepd at year end 2012. Molopo forecasts its year end 2012 cash balances to be approximately \$72 million, reflecting capital not invested in Saskatchewan and reduced annualized cash flow as a result of developmental delays in bringing production on line.

Figures are Molopo net (accruals basis)	CANADA	USA	OTHER	First Quarter Fiscal Year ‘13	Fourth Quarter Fiscal Year ‘12	Change %
<b>Exploration &amp; development expenditure incurred<sup>1</sup> (\$’000)</b>	1,364	13,481	471	<b>15,315</b>	<b>22,668</b>	(32%)
<b>Sales Volume (Boe)</b>	16,284	20,611	-	<b>36,895</b>	<b>37,264</b>	(1%)
<b>Sales Proceeds<sup>1</sup> (\$’000)</b>	1,051	944	190	<b>2,185</b>	<b>2,361</b>	(7%)

<sup>1</sup> Sales proceeds is the gross amount from production before royalties and operating costs. As Molopo’s operations are still considered to be in the exploration phase, generally accepted accounting principles requires net production revenue (i.e. sales proceeds less royalties & operating costs) to be capitalised. Exploration and development expenditures incurred are shown before any adjustment for net production revenue.

About Molopo Energy Limited	Molopo Energy Snapshot
<i>Molopo Energy Limited is an oil and gas exploration and production company listed on ASX under code ‘MPO’, with management based in Calgary, Alberta, Canada. With a strong balance sheet, the Company is predominantly focused on the development of its Wolfcamp shale oil resource play in the Permian Basin, Texas, USA. In addition, Molopo also has oil assets in Saskatchewan, Canada; shale gas assets in Quebec, Canada; and onshore gas projects in South Africa.</i>	<p>ASX Code: MPO</p> <p>Share Price<sup>1</sup>: \$0.55</p> <p>Market Cap<sup>1</sup>: \$135MM</p> <p>Net Cash<sup>2</sup>: \$52.2MM</p> <p>1. Market figures as at 30 October 2012 2. Balance sheet amounts as at 30 September 2012</p>

**MOLOPO ENERGY LIMITED**

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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.

# 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 2012

### Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (3 months) \$A'000
<b>Cash flows related to operating activities</b>			
1.1	Receipts from product sales and related debtors	2,184	2,184
1.2	Payments for (a) exploration & evaluation	(15,083)	(15,083)
	(b) development	-	-
	(c) production	(754)	(754)
	(d) administration	(3,052)	(3,052)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	112	112
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid	3,080	3,080
1.7	Other (Joint venture recoveries)	50	50
<b>Net Operating Cash Flows</b>		<b>(13,463)</b>	<b>(13,463)</b>
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.9	Proceeds from sale of:		
	(a) prospects	(116)	(116)
	(b) equity investments	-	-
	(c) other fixed assets	2	2
	(d) financial instruments	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (share buyback)	-	-
<b>Net investing cash flows</b>		<b>(114)</b>	<b>(114)</b>
1.13	Total operating and investing cash flows (carried forward)	<b>(13,577)</b>	<b>(13,577)</b>

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(13,577)	(13,577)
	<b>Cash flows related to financing activities</b>		
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)	-	-
		-	-
	<b>Net increase (decrease) in cash held</b>	(13,577)	(13,577)
1.20	Cash at beginning of quarter/year to date	65,236	65,236
1.21	Exchange rate adjustments to item 1.20	681	681
1.22	<b>Cash at end of quarter</b>	52,340	52,340

**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	110
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	None	None
3.2 Credit standby arrangements	None	None

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	27,665
4.2 Development	-
4.3 Production (net of sales proceeds)	(3,934)
4.4 Administration (net of interest received)	2,299
<b>Total</b>	26,030

### 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	50,396	50,396
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (Bank Guarantees)	1,944	1,944
<b>Total: cash at end of quarter (item 1.22)</b>	52,340	52,340

+ See chapter 19 for defined terms.



### Changes in interests in mining tenements

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

### 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	<b>Preference +securities</b> <i>(description)</i>			
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions			
7.3	<b>+Ordinary securities</b>	245,849,711	245,849,711	
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	269,901	269,901	49
7.5	<b>+Convertible debt securities</b> <i>(description)</i>			
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted			

+ See chapter 19 for defined terms.

7.7	Options (Unlisted mgmt incentive options)			<i>Exercise price (A\$)</i>	<i>Expiry date</i>
	MPOAD	100,000	-	\$1.45	25 March 2013
	MPOAG	35,000	-	\$1.21	1 April 2013
	MPOAB	150,000	-	\$1.63	21 December 2012
	MPOAB	55,000	-	\$1.46	18 April 2013
	MPOAB	300,000	-	\$0.70	1 October 2016
		640,000	-		
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter	100,000		\$1.60	17 December 2012
		150,000		\$1.46	17 December 2012
		95,000		\$1.22	28 July 2013
		160,000		\$1.17	6 December 2013

+ See chapter 19 for defined terms.

7.11 Performance Share Rights	Number on issue		<i>Vesting date</i>
	286,505		31-December-2012
	23,155		01-January-2013
	83,333		03-January-2013
	214,711		01-March-2013
	24,199		05-March-2013
	15,810		11-April-2013
	20,714		1-May-2013
	24,612		28-May-2013
	208,502		30-June-2013
	18,728		04-July-2013
	53,512		18-July-2013
	59,800		15-August-2013
	286,499		31-December-2013
	23,155		01-January-2014
	83,333		03-January-2014
	214,711		01-March-2014
	24,198		05-March-2014
	15,810		11-April-2014
	20,714		1-May-2014
	24,612		28-May-2014
	208,493		30-June-2014
	18,728		04-July-2014
	53,511		18-July-2014
	59,800		15-August-2014
	313,361*		31-December-2014
	23,154		01-January-2015
	83,334		03-January-2015
	214,709		01-March-2015
	24,198		05-March-2015
	15,809		11-April-2015
	20,714		1-May-2015
	24,612		28-May-2015
	<b>2,787,036*</b>		

\*Of which 26,871 may convert into between 0 and 100 fully paid ordinary Molopo shares, dependent upon extent of satisfaction of performance criteria.

7.12 Issued during quarter	14,463		31-December-2014
7.13 Vested during quarter	269,901		
7.14 Lapsed during quarter	138,049		

+ See chapter 19 for defined terms.

7.15	Debentures (totals only)	-	
	Unsecured notes (totals only)	-	

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+ See chapter 19 for defined terms.

## 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:

(General Counsel & Company Secretary)

Date: 31 October 2012

Print name: Jessica Huberman

## Notes

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

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+ See chapter 19 for defined terms.