MOLOPO AUSTRALIA LIMITED

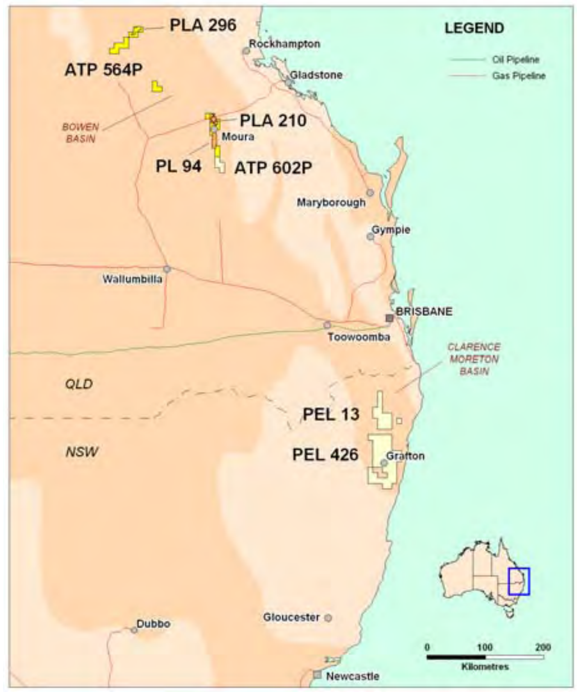
# Quarterly Report

## March 2009

## Highlights

- Mungi trial development gas well reaches 1.1 MMscf/d.
- $72.9m profit for the six months to December 2008.
- Exploration drilling underway in South Africa.
- China Project elevated to State Pilot Project. Pilot gas rates increasing gradually.
- Share buy-back announced.
- Profit after tax for FY09 is likely to be in the range of $60-$70m.

## Molopo's Australian Permits




## About Molopo Australia

Molopo Australia Limited is an Australian based gas producer with a diversified portfolio of large scale gas projects in Australia, Canada, China, South Africa and the USA.

The Company has built a portfolio of gas projects where substantial gas accumulations have been identified. Molopo's portfolio now includes the following:

### Australia

*Queensland:*

- PL94 (North, Sublease) – Mungi Gas Field
- PLA210 – Harcourt
- PLA 296 – Oak Park
- ATP602P - Timmy
- ATP564P – Lilyvale, Oak Park, Harcourt & Sirius

*New South Wales:*

- PELs 13 & 426 – Clarence Moreton Basin

### International

- Canada - Quebec
- China - Liulin, Shanxi Province
- USA - Mason County, West Virginia
- South Africa - Evander & Virginia

Currently the main focus of Molopo is the development of additional production, reserves and cash flow from its Queensland assets, proving reserves in China, assessing short-term cash flow possibilities from gas production in South Africa, and assessing production possibilities for its shale gas projects in the US and Canada.

| | |
|---|---|
| ASX Code: | MPO |
| Share Price: | A$1.24 |
| Market Cap @ $1.24: | $227m |
| Cash Reserves: | $ 116 million |
| Debt Free | |

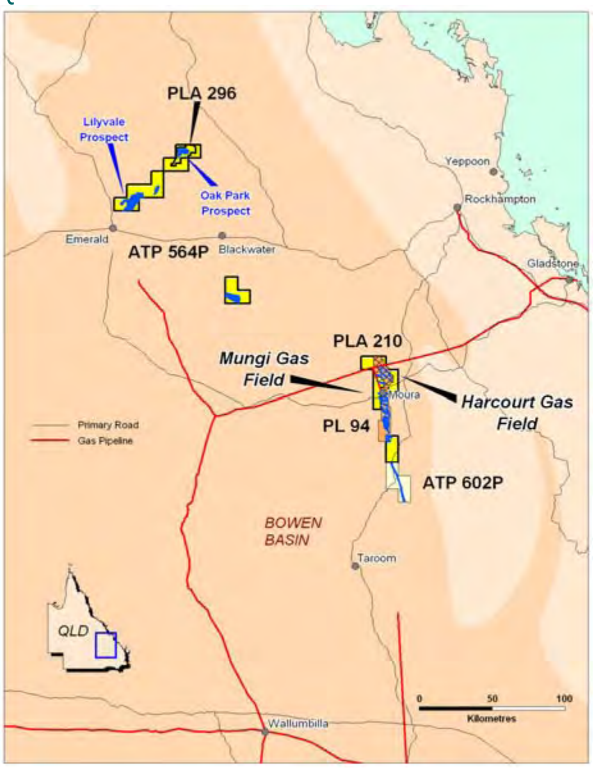
# PROJECT REVIEW

## BOWEN BASIN, QUEENSLAND.

### MUNGI GAS FIELD – PL94 (North, 50% interest)

During the Quarter Molopo announced that the first triple seam dual lateral trial well completed in Australia, Mungi 20a, had reached gas production rates of over 1 MMscf/d. A total of approximately 2800m of net coal was completed in six laterals involving three coal seams. Subsequent to quarter end, production from the well had increased to between 1.1 and 1.2 MMscf/d, with facilities pressure control limiting further production increases.

### Queensland Permits




Trial development drilling at Mungi (100% Molopo sole risk) commenced in late February using the new rig contacted from Atlas Drilling. The third well in the three well programme, Mungi 20b, will re-use an existing Mungi vertical well and will target a total of 5000m of completed in seam coal length utilising laterals of 1000m gross length and greater. By the end of the Quarter the first seam on the first lateral of Mungi 20b was finished and at the time of writing the second seam and third seam had been completed.

Planning for additional sole risk seismic was undertaken during the Quarter to provide structural control for future development wells.

Subsequent to period end Molopo had provided the Joint Venture (JV) with notice of a full field Development Plan for Mungi and its preparedness to assume the role of Operator for the development as well as its sole risk wells Mungi-9 to 22.

Molopo's share of production (excluding compressor gas consumption) and gas sales from the Mungi Field for the Quarter were approximately 80TJ which represented a 63% increase on the previous quarter volume of approximately 49TJ. Molopo's share of revenue from gas sales for the Quarter was up 65% to $198,973 compared with $120,897 for the previous quarter.

### HARCOURT/BINDAREE GAS PROSPECTS – PLA210/ATP564P (50% interest)

No field work was carried out during the Quarter. Molopo proposed three cored sole risk exploration wells over Harcourt North, in which the JV partners elected to participate.

Discussions continued during the Quarter on a co-development agreement with a coal company interested in developing an underground mine over part of the Harcourt South area.

### TIMMY GAS PROSPECT – ATP602P (50% interest)

No field work was carried out during the Quarter. Molopo proposed three cored sole risk exploration wells over the Timmy Prospect, in which the JV partners elected to participate.

### LILYVALE/OAK PARK PROSPECT – PLA296/ATP564P (50% interest)

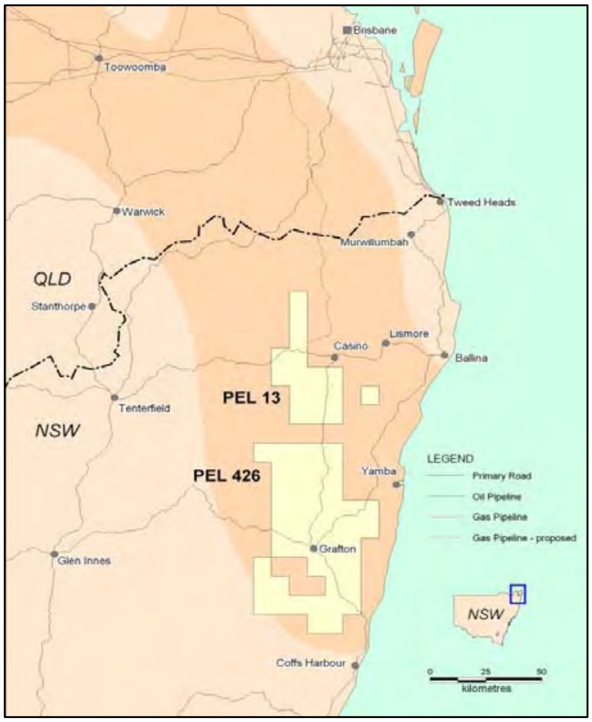
No field work was carried out during the Quarter. During the Quarter co-development discussions continued with a coal company interested in developing an underground mine over part of the area.

## CLARENCE–MORETON BASIN, NSW

### *PEL 426 (50% interest reducing to 43.4%)*

During the quarter the Orara-E1 exploration well was drilled to evaluate the presence and development of the Walloon Coal Measures in the southern area of the Clarence Moreton basin and the Heifer Creek sandstone below the coal measures. This well reached total depth of 680 metres on 14 January 2009 and a short duration production test was run with gas flows of approximately 100,000 scf/d observed. Further testing of this well during the March Quarter could not confirm the 100,000 scf/d flow which

Clarence Moreton Basin




had been previously observed during an off-bottom test. The well was subsequently plugged and abandoned.

As a consequence of drilling the Orara-E1 well, Molopo elected to dilute its equity interest in the permit by 6.6%. Accordingly Molopo's equity interest will reduce to 43.4%.

### *PEL 13 (Interest: 50% of Conventional and 25% of CBM)*

During the Quarter the Operator of PEL 13, Metgasco, proposed the drilling and testing of a coalbed methane exploration well Wyan E1 to satisfy the permit's commitment well obligations. Metgasco proposes to drill Wyan E1 in the June Quarter to approximately 700 m and target the coal seams of the Walloon Coal Measures in the western portion of PEL 13. The well will evaluate the coal bearing interval encountered using gas monitoring, chip samples, wireline logs and formation testing, as required to determine the resource potential of the Walloon Coal Measures in the western portion of the permit.

A geophysical study, based on interpretation and mapping of recently processed seismic was completed in March. The study focused on the largest conventional gas prospects within PEL 13 to assess their resource and drilling potential. Several interesting leads were identified for further analysis.

## SOUTH AFRICA (100% interest)

During the Quarter, exploration drilling continued in the Virginia Project with the three well programme. The three wells are in the Sand River play area and are expected to provide modern logs, core and petroleum systems delineation of the area that has already demonstrated long term gas flow from old mineral core holes.

Drilling of the lower Karoo for each of the three wells was completed by early March. Coring of the Wits/Ventersdorp target sequence has commenced in one of the wells.

Pilot testing of the mineral core wells has continued with production steady at around 1 MMscf/d. No obvious decline has been observed on these wells over the last 18 months which represents better performance than was assumed for the reserves certification process. Continued stable well flows will represent an opportunity to revise the Virginia Area reserves.

Commercialisation options being considered for the Virginia Field include electricity generation, CNG and LNG. A proposal to supply initial production gas to local mines for use in power generation was under discussion with interested parties. The detailed FEED process continued as part of the gas commercialisation and sales focus. The carbon credits application also progressed.

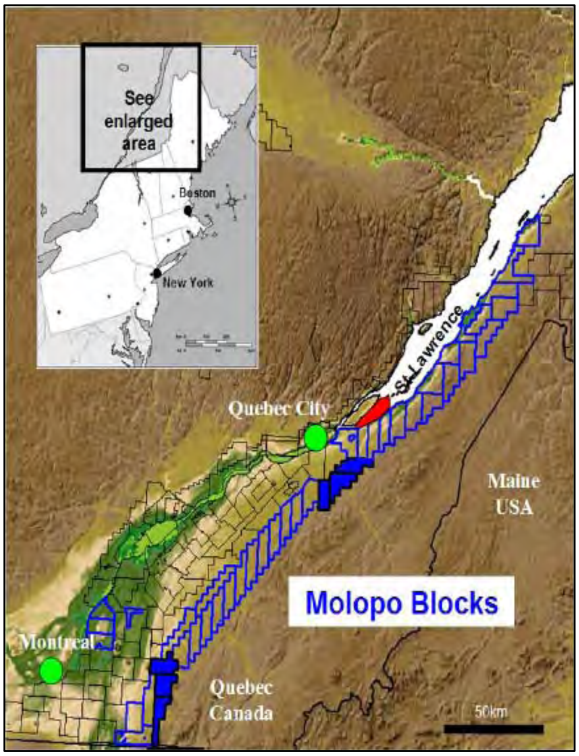
Molopo has submitted a production application covering part of its Virginia Area acreage. The application is now being reviewed by PASA and discussions on supporting reviews such as the environmental impact statement are underway.

During the Quarter discussions continued with potential farminees into the South African projects, which are being considered as a part of ongoing Black Economic Empowerment (BEE) considerations.

## CANADA – Quebec Shale Gas (100% Working Interest, 80.0-87.5% NRI)

During the Quarter Molopo applied for additional acreage within the St Lawrence River adjacent to its Quebec City prospect area. At the time of writing this acreage had been granted within the area between the Isle d'Orleans and the south bank of the St Lawrence River (see red highlighted area below). The acreage represents an additional 39,000 acres and increases Molopo's total land position to approximately 2.2 million acres.

Quebec Project Area




Molopo also undertook interpretation of its 2008 seismic data acquired in the Richelieu Area in support of its planned exploration drilling activities in the third quarter of calendar 2009. Potential drilling locations have been identified and detailed well planning, location permitting and rig sourcing is now underway.

A seismic acquisition programme is being planned for the Lyster and Quebec City areas during the northern summer in support of exploration drilling. Limited but encouraging well data exists and successful exploration in this area has the potential to substantially upgrade the perceived value of Molopo's acreage position.

Positive flow test results were announced during the Quarter by Forest Oil. Stabilised rates from four separate well tests were reported in the 100,000-800,000 scf/d range confirming the ability to use horizontal wells as a development option. The trial horizontal wells involved approximately ¼ to ½ the lateral length and number of fracture stimulation stages that would be utilised in a development scenario. Full scale development well rates would correspondingly be expected to be 2-4 times higher as a result.

During the Quarter as part of its preparations for operations in Canada and to support Quebec drilling during 2009, Molopo opened an office in Calgary where two new staff have been employed.

## CHINA – LIULIN PROJECT, SHANXI PROVINCE (34% gross, 17% net)

During the Quarter dewatering of the expanded five pilot wells continued. At the time of writing three of the five wells had reached gas rates of approximately 35,000 scf/d the level necessary to support reserves certification under the Chinese Standards At the time of writing, drilling had commenced on an additional vertical fracture stimulated well that was proposed by Fortune Oil as operator.

Molopo has elected to undertake a small dilution of its equity interest by not funding its share of current activities. At the time of writing the dilution effect had reduced its net equity interest from 20% to 17%.

During the Quarter it was announced that the Liulin project had been designated a State Science and Technology Significant Project under a scheme administered by the State Council. The initial plan to utilise the State funding associated with the scheme is to drill an additional 10 wells.

## USA – MASON COUNTY, WEST VIRGINIA (50% Interest)

No field work was undertaken during the Quarter.

## CORPORATE

Molopo announced a $72.9m profit for the half year to December 2008 after the inclusion of a $77.3m profit after tax on the sale of the Company's 30% interest in the Gloucester Basin Project.

Molopo also announced an on-market share buy-back for up to 10% of its issued capital over a period of up to 12 months. To date, no shares have been purchased under the buy-back.

At the end of the Quarter, Molopo had approximately $116.6m of cash reserves and no debt.

Anglo Coal, the named operator of Molopo's Queensland acreage, commenced a commercial sale process of its 25.5% interest in the Molopo joint venture areas; ATP-564P, ATP-602, PL94 as well as its 50% interest in the adjacent mining lease gas producing areas where its partner is Mitsui. Molopo has pre-emptive rights on the Molopo joint venture areas only.

## OUTLOOK

It is likely that Molopo will realise a significant accounting profit result for the financial year ending 30 June 2009 (FY09) as a consequence of the one-off impacts of the sale of its Gloucester Project. As a preliminary indication Molopo estimates that its unaudited net profit after tax for FY09 is likely to be in the range of $60-$70m. Molopo notes that the actual profit result could vary from its guidance range due various factors including, exploration write-offs, asset impairment, and associated company results.

Molopo highlights that tax on the profit on sale of the Gloucester Project (the Project) is yet to be paid. As a preliminary indication Molopo estimates that the tax payable on the sale of the Project is likely to be in the range of $18-$22m, payable in the first half of calendar year 2010. Molopo notes that the actual tax payable could vary from its guidance range due to various factors including the tax losses available in FY09.

Yours faithfully,

**MOLOPO AUSTRALIA LIMITED**

For further information contact:

| | | |
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# Appendix 5B

## *Mining exploration entity quarterly report*

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98.

Name of entity

| |
|---|
| MOLOPO AUSTRALIA LIMITED |

| ACN or ARBN | Quarter ended ("current quarter") |
|---|---|
| 003 152 154 | 31 March 2009 |

## Consolidated statement of cash flows

| | Cash flows related to operating activities | Current quarter $A'000 | Year to date (12 months) $A'000 |
|---|---|---|---|
| 1.1 | Receipts from product sales and related debtors | 127 | 371 |
| 1.2 | Payments for | | |
| | (a) exploration and evaluation | (1,848 ) | (7,275) |
| | (b) development | (1,343) | (6,857) |
| | (c) production | (112) | (463) |
| | (d) administration | (602) | (1,857) |
| 1.3 | Dividends received | - | - |
| 1.4 | Interest and other items of a similar nature received | 995 | 1,666 |
| 1.5 | Interest and other costs of finance paid | - | (1) |
| 1.6 | Income taxes paid | - | - |
| 1.7 | Other | 7 | 365 |
| | **Net Operating Cash Flows** | (2,776) | (14,051) |
| | **Cash flows related to investing activities** | | |
| 1.8 | Payment for purchases of: | | |
| | (a) prospects | - | - |
| | (b) equity investments | - | - |
| | (c) other fixed assets | - | - |
| 1.9 | Proceeds from sale of: | | |
| | (a)prospects | - | - |
| | (b)equity investments | (1,128) | 109,872 |
| | (c)other fixed assets | - | - |
| 1.10 | Loans to other entities | - | - |
| 1.11 | Loans repaid by other entities | - | - |
| 1.12 | Other (provide details if material) | - | - |
| | **Net investing cash flows** | (1,128) | 109,872 |
| 1.13 | Total operating and investing cash flows (carried forward) | (3,904) | 95,821 |

| | | | |
|---|---|---|---|
| | **Cash flows related to financing activities** | | |
| 1.14 | Net 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) | - | - |
| | **Net financing cash flows** | - | - |
| | **Net increase (decrease) in cash held** | (3,904) | 95,821 |
| 1.20 | Cash at beginning of quarter/year to date | 120,534 | 20,808 |
| 1.21 | Exchange rate adjustments to item 1.20 | (1) | - |
| 1.22 | **Cash at end of quarter** | 116,629 | 116,629 |

## 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 | 209 |
| 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, (ii) payment of salaries & director's fees, (iii) an administration contract between Molopo and the related entity, and (iv) rental of offices.

## 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

None

**Non-cash financing and investing activities (continued)**

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

None.

## 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

| | (Not committed) | $A'000 |
|---|---|---|
| 4.1 | Exploration and evaluation (excludes JV partner contributions to project) | 2,545 |
| 4.2 | Development (excludes JV partner contributions to project) | 5,722 |
| | **Total** | 8,267 |

## *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 | 252 | 4,555 |
| 5.2 | Deposits at call | 116,035 | 115,654 |
| 5.3 | Bank overdraft | - | - |
| 5.4 | Other (security deposit held by bank) | 342 | 325 |
| | **Total: cash at end of quarter** (item 1.22) | 116,629 | 120,534 |

## Changes in interests in leases

| | | Tenement reference | Nature of interest (note (2)) | Interest at beginning of quarter | Interest at end of quarter |
|---|---|---|---|---|---|
| 6.1 | Interests in mining leases relinquished, reduced or lapsed | Liulin license, Shanxi Province China | Production Sharing Contracts | 20% | 17.2% |
| | | Mason County, USA – 7 leases comprising approx 600 acres | Lease | 50% | 0% |
| 6.2 | Interests in mining leases acquired or increased | NONE | | | |

## 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<br>(a) Increases through issues<br>(b) Decreases through returns of capital, buy-backs, redemptions | | | | |
| 7.3 | **+Ordinary securities * (fully paid)**<br><br>MPO | 182,850,415 | 182,850,415 | - | - |
| 7.4 | Changes during quarter<br>(a) Increases through issues | - | - | - | - |
| | (b) Decreases | - | - | - | - |
| 7.5 | **+Convertible debt securities** (*description)* | | | | |
| 7.6 | Changes during quarter<br>(a) Increases through issues<br>(b) Decreases through securities matured, converted | | | | |

## 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) |
|---|---|---|---|---|---|
| 7.7 | **Options** | | | *Exercise price* | *Expiry date* |
| | **(Unlisted mgmt incentive options)** | | | | |
| | MPOAI | 300,000 | - | $0.250 | 06 Nov 2009 |
| | MPOAQ | 400,000 | - | $0.250 | 29 Apr 2010 |
| | MPOAS | 500,000 | - | $0.375 | 14 Aug 2010 |
| | MPOAU | 50,000 | - | $0.550 | 14 Aug 2010 |
| | MPOAO | 400,000 | - | $0.250 | 30 Aug 2010 |
| | MPOAO | 400,000 | - | $0.375 | 30 Aug 2010 |
| | MPOAM | 100,000 | - | $0.375 | 10 Jul 2011 |
| | MPOAK | 300,000 | - | $0.375 | 6 Nov 2011 |
| | MPOAY | 50,000 | - | $1.25 | 20 Dec 2010 |
| | MPOAZ | 300,000 | - | $1.25 | 21 Jan 2011 |
| | MPOAA | 200,000 | - | $1.50 | 15 Jul 2010 |
| | MPOAB | 420,000 | - | $1.25 | 21 April 2011 |
| | MPOAB | 100,000 | - | $1.25 | 02 March 2011 |
| | MPOAB | 200,000 | - | $1.50 | 09 July 2010 |
| | MPOAB | 50,000 | - | $1.25 | 31 March 2011 |
| | MPOAB | 75,000 | - | $1.25 | 10 March 2011 |
| | MPOAB | 1,708,087 | - | $2.08 | 30 June 2011 |
| | MPOAB | 800,000 | - | $1.88 | 3 July 2011 |
| | | 6,353,087 | - | | |
| 7.8 | **Issued during quarter** | | | | |
| | **(Unlisted mgmt incentive options)** | | | | |
| | | - | - | | |
| 7.9 | **Exercised during quarter** | - | - | - | - |

| | | | | | |
|---|---|---|---|---|---|
| 7.10 | **Expired during quarter** | - | - | - | - |
| 7.11 | **Debentures** *(totals only)* | | | | |
| 7.12 | **Unsecured notes** *(totals only)* | | | | |

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## *Compliance statement*

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Law or other standards acceptable to ASX (see note 4).

2 This statement does give a true and fair view of the matters disclose

Sign here: Dated: 24th April 2009
(CFO / Company Secretary)

Print name: Anthony Bishop

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## *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: Cash Flow Statements* apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Accounting 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.