



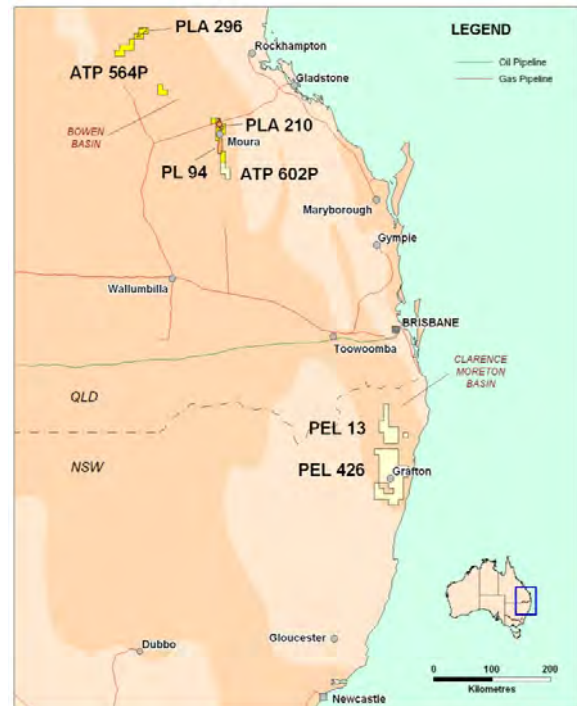
Quarterly Report

September 2009

Highlights

- Two Canadian oil asset acquisitions completed.
- Divestments: A\$7 million offer received for Molopo's share of Clarence Moreton acreage; China divestment discussions continue.
- Mungi 20V, second multi-lateral well production exceeding 1 MMscf/d.
- Mungi 21 trial development well drilling continues, four of six laterals completed.
- Option agreements signed to acquire gas fired electricity generation sites at Moura.
- Agreement signed to increase gas supply to Genergy Pty Ltd.
- Cash reserves of \$81m at the end of the Quarter.

Molopo's Australian Permits



About Molopo Australia Limited

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

Molopo's portfolio now includes the following:

Australia

Queensland:

- PL94 (North, Sublease) – Mungi Gas Field
- PLA210 – Harcourt
- PLA296 – Oak Park
- ATP602P - Timmy
- ATP564P – Lilyvale, Oak Park, Harcourt & Sirius

New South Wales:

- PELs 13 & 426 (sale pending)

International

- South Africa - Evander & Virginia

- Canada – Quebec, Manitoba (oil), Saskatchewan (oil)
- China - Liulin, Shanxi Province
- USA - Mason County, West Virginia

Currently, the main focus of Molopo is the development of additional production and cash flow from its Queensland gas and Canadian oil assets, drilling prospects in its Canadian shale gas acreage, assessing short-term cash flow opportunities from gas production in South Africa and the ongoing assessment of acquisition opportunities.

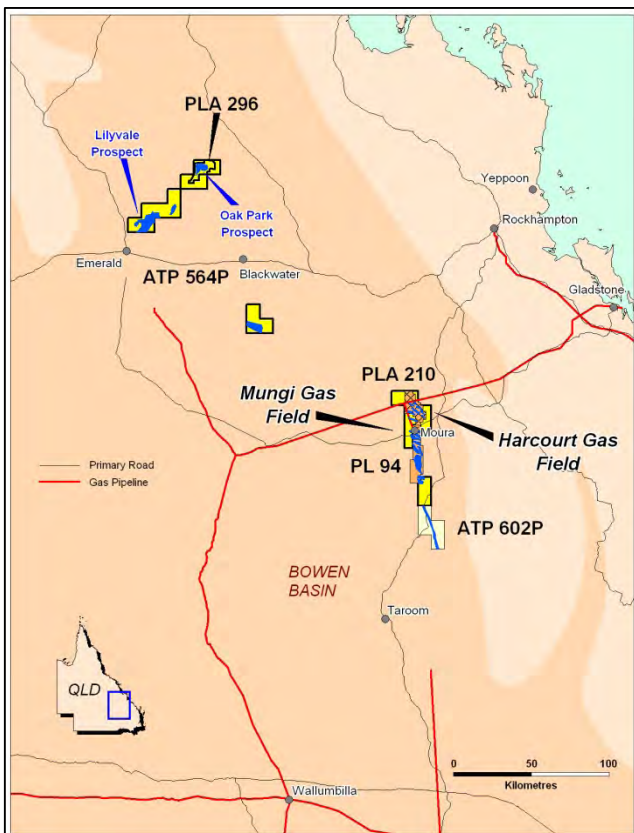
ASX Code:	MPO
Share Price:	A\$1.31
Market Cap:	A\$251m
Cash :	A\$81 million
Debt Free	

PROJECT REVIEW BOWEN BASIN, QUEENSLAND.

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

During the Quarter Molopo achieved an interim production rate milestone of 1 MMscf/d from its third innovative multi-lateral trial development well, Mungi 20V (100% Molopo sole risk). Following completion of drilling, pump installation and surface facilities last Quarter, the well commenced dewatering at the start of July. Gas production commenced in late July and built to 1.02 MMscf/d during August. A well workover was undertaken in early September to clean-out coal fines produced during the initial desorption period. The well has since been returned to production with gas rates increasing towards its previous maximum rate. By Quarter end the gas flow was approximately 0.42 MMscf/d with significant back pressure still to be released, indicating that higher production rates are likely.

Queensland Permits



The six laterals of the Mungi 20V well vary in length from 900 – 1100 metres with an average in seam net to gross of 89%. These lateral lengths were approximately double those achieved in the previous well, Mungi 20A (100% Molopo sole risk). Mungi 20V also tests production from

deeper coals, where potentially the impact of lower permeability is offset by the longer laterals.

Mungi 20V is the second multi-lateral trial development well in the current drilling programme that has demonstrated production capability in excess of 1 MMscf/d. Mungi 20A, completed earlier this year, reached a facilities constrained peak of 1.1 MMscf/d.

Mungi 20A was worked over during the Quarter to change to a smaller pump size as the water production rate had declined. The well was returned to production with gas production rates increasing strongly towards its previous maximum rate. By Quarter end the gas production rate was approximately 0.88 MMscf/d.

Mungi trial development drilling continued on the fourth well in the current well programme, Mungi 21 (100% Molopo sole risk). Mungi 21 targets a total of 7000-8000 metres of lined coal from six laterals ranging from 1,000 to 1,500 metres gross length. Mungi 21 will test production from coals at depths in the range of 647 - 703 metres at the vertical. By the end of the Quarter, four of the six planned Mungi 21 laterals had been successfully drilled and lined, with the fifth lateral in progress.

Molopo expects to use the consistently improving results from the Mungi trial development drilling activities to seek reserves upgrades for the Mungi and Harcourt areas before the end of 2009. Additional exploration and development well drilling is planned for 2010. Upgrades of 2P reserves to 200 Bscf and 3P reserves to 500 Bscf are being targeted by the end of 2010 on the basis of the results of the additional drilling activity.

Based on recent positive trial drilling and production results from Mungi, Molopo signed an agreement to increase the volume of gas sold to Qenergy Pty Ltd, a Queensland based electricity retailer. The agreement is subject to various conditions precedent and involves an Annual Contract Quantity of 246TJ per annum. The gas will be supplied on a firm basis to a power station owned by Qenergy, from early to mid 2010. While the contract quantity with Qenergy is relatively small, the agreement represents a further step towards building a portfolio of higher value gas sales.

Molopo also signed option agreements with various parties allowing it to acquire a site in Moura for its first gas-fired power generation project. Gas supply for the project will be sourced from the Company's Mungi gas field. The project

is to be constructed in two stages, each of 30 MW capacities. The first stage is expected to be operational by mid 2011.

Molopo's share of production (after deducting own use gas for compression) and gas sales from the Mungi Gas Field for the Quarter were approximately 93TJ which represented a 4% decrease on the previous quarter volume of approximately 97TJ. Molopo's share of revenue from gas sales for the Quarter was lower by 13.2% to \$229,715 compared with \$264,699 for the previous quarter.

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

The JV worked on securing approvals, access and service agreements for the drilling and testing of three cored exploration wells over the Harcourt North area. This work is on track for completion before the end of 2009 with drilling planned to commence early next year.

Discussions progressed on agreeing broad terms for a co-development agreement with Belvedere Coal Management Pty Ltd, a coal company interested in developing an underground coal mine over part of the Harcourt South area.

TIMMY GAS PROSPECT - ATP602P (50% interest)

The JV worked on securing approvals, access and service agreements for the drilling and testing of three cored exploration wells over the Timmy area. This work is on track for completion before the end of 2009 with drilling planned to commence in the first Quarter of 2010.

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

No field work was carried out during the Quarter. Co-development discussions continued with Xstrata Pty Ltd, a coal company interested in developing an underground coal mine over part of the permit area.

CLARENCE-MORETON BASIN, NSW

PEL 426 (50% interest reducing to 43.4%), PEL 13 (50% interest in conventional and 25% interest in CBM)

No field work was carried out during the Quarter.

During the Quarter Molopo accepted an offer from the operator, Metgasco, to purchase Molopo's interests in the permits for \$7m (\$3 million in cash, \$4 million in Metgasco shares) plus a production royalty of 2.5% for 50% of gas

volumes produced from reservoirs below 800m in PEL 13. The sale is conditional upon Metgasco shareholder approval, which is expected in November.

SOUTH AFRICA (100% interest)

During the Quarter drilling operations in the Virginia Exploration Area have been completed and all three wells have been suspended pending final evaluation of wireline logs and geological data.

A three well core hole programme was completed in the Evander Exploration Area in cooperation with Harmony Gold Ltd. Core, with wireline log data collected from the Karoo Super Group and evaluation is continuing.

Acquisition of an airborne hyper spectral survey commenced in late September in the Virginia/Evander Exploration Areas. The survey will be used in conjunction with a soil geochemistry sampling programme, planned for October, to select future drilling targets.

Molopo has applied to test the viability of using gas currently being emitted from mineral core wells as a fuel source for vehicles. It is planned that commercialisation of Molopo's gas will initially occur via the sale of CNG to power vehicles. This is an innovation in South Africa and Molopo is currently negotiating a Gas Sales Agreement (GSA) for 600 Mscf/day. If a GSA for this volume of gas is secured, it will enable the majority of the gas currently emitting to atmosphere to be commercialised.

Pilot testing of the Virginia mineral core wells has continued during the Quarter with production steady at approximately 0.95 MMscf/d. After over 24 months only a slight decline has been observed on these wells.

Seven exploration right applications over Virginia and Evander were lodged for registration during the last Quarter and continued to be processed by the State Mining Titles Office. PASA continued to review supporting documentation prepared for the production rights application.

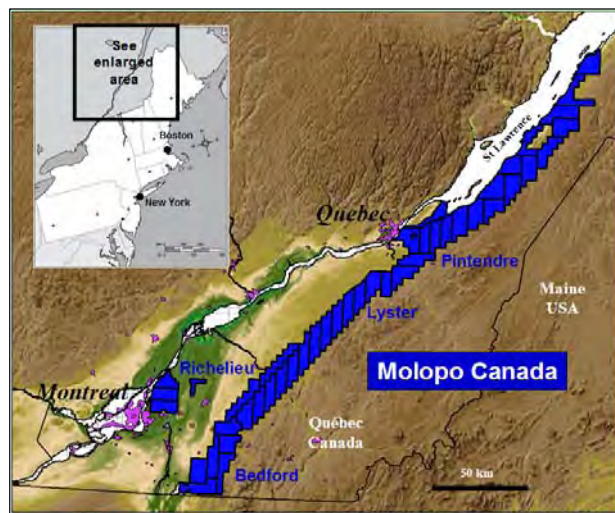
CANADA

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

Molopo holds approximately 2.2 million acres of exploration acreage in the province of Quebec, Canada.

Interpretation of 98km of 2D seismic acquired in October/November 2008 in the Richelieu area east of Montreal has led to the identification of four drilling locations. Drilling of the first location is likely to commence late 2009 or first Quarter 2010. Delays have been experienced in securing the necessary permits for this well.

Quebec Project Area



An additional 201km of 2D seismic was acquired in the Lyster and Pintendre areas in June/July 2009. This data has been processed and is now being interpreted, with completion due by the end of the year.

Talisman has commenced drilling its first horizontal well at St Eduard after positive stimulated drill stem test flow rates within the Utica in its initial four vertical wells drilled 2008/09 - up to 0.8MMscf/d gas flows were recorded.

Unconventional Oil (Saskatchewan 100% working interest, Manitoba 75% working interest)

Molopo successfully completed two separate oil acquisitions within the prolific Williston Basin. Both opportunities represent substantial acreage positions in developing resource-type tight silt /shale oil plays.

The acquisition of Brink Energy Ltd, for C\$13m (C\$6.5m in cash and C\$6.5m in Molopo shares) has resulted in 75% working interest and operatorship of 88 Sections (55,000 acres) of land in SW Manitoba. Current production is 76 bopd (net to Molopo). Oil revenues arising from the acquisition will be booked from the beginning of the next Quarter. Subsequent to Quarter end,

Molopo has initiated its first recompletion programme as well as the field work associated with drilling new Spearfish formation horizontals during the next quarter. The acreage has independently certified working interest net 2P reserves of 470,000 barrels of oil.

The second acquisition, a private company in Saskatchewan, yielded operatorship and the potential to earn 100% working interest on 66 net Sections (42,240 acres) of prospective Bakken acreage in southern Saskatchewan for C\$14.4m (C\$12m in cash and C\$2.4m of exchangeable shares). Molopo has initiated essential lease selection and surveying as it prepares to drill its initial Bakken stratigraphic tests and Bakken horizontal wells to assess the productive potential of its leases.

Saskatchewan & Manitoba Project Areas



In both cases, Molopo has been able to capitalise on recent nearby industry successes within the play fairway. The initial horizontal wells will be drilled, stimulated and tested, and resultant production evaluated by the end of Q1, 2010.

As a result of these acquisitions Molopo will expand its managerial and technical capabilities by increasing personnel numbers in Molopo's team in Canada. Consideration is being given to either a dual listing of Molopo on the Toronto Stock Exchange or a listing of Molopo's Canadian subsidiary with a placement of shares into that market to ensure liquidity.

CHINA – LIULIN PROJECT, SHANXI PROVINCE (26% gross, 13% net)

Production monitoring continued during the Quarter with a further three wells brought on line to make a total of six wells producing at the Liulin CBM Pilot Project. Two exploration core holes, EP-7 and EP-8, commenced drilling in the

southern part of the PSC block to assess the CBM potential of this area. CUCBM commenced drilling the first of two horizontal multi-lateral wells as part of the Liulin State Pilot Project which is aimed at fast tracking the commerciality of the Liulin CBM Project.

Subsequent to Quarter end, Molopo advised that it is in an advanced stage of negotiations in respect of the sale of its 26.1% gross interest in Fortune Liulin Gas Company Limited ("FLG"). The consideration for the sale is proposed to be approximately 2.7 million shares in the acquiring company, Pacific Asia Petroleum, Inc ("PAP" - a company listed on the USA OTC market), and a 2% royalty on production revenue. Based on the most recent share price of PAP the value of the shares offered is approximately US\$12m. The sale remains subject to the finalisation of negotiations and documentation, and there is no certainty the transaction will proceed. The sale, if completed, will be subject to pre-emptive rights held by Molopo's partner in the Liulin Block PSC, Fortune Oil Group.

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

Renewal discussions on several small leases continued. No field work was undertaken during the Quarter.

CORPORATE

During the Quarter, the Molopo group of companies ("Molopo") announced a profit after tax of \$72.6m for the financial year ended June 30, 2009. After adjusting for the profit after tax of \$79.1m for the sale of Molopo (Gloucester) N.L., the underlying loss from continuing operations for Molopo was \$6.5m. The result largely reflects Molopo's increased activities, an expanded management team, and non-cash items including: accounting for option-based staff payments (\$1.5m) and amortisation and depreciation (\$1.5m). No dividend was declared for the period.

At the end of the Quarter, Molopo had approximately \$81m of cash reserves and no debt.

Yours faithfully,

MOLOPO AUSTRALIA LIMITED

For further information contact:

Stephen Mitchell	MD	+61 3 9618 8722
Ian Gorman	COO	+61 3 9618 8722
Anthony Bishop	CFO	+61 3 9618 8722

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

003 152 154

Quarter ended ("current quarter")

30 September 2009

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (12 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	220	220
1.2 Payments for		
(a) exploration and evaluation	(3,294)	(3,294)
(b) development	(4,835)	(4,835)
(c) production	(232)	(232)
(d) administration	(1,323)	(1,323)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	1,065	1,065
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other	-	-
Net Operating Cash Flows	(8,399)	(8,399)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	(19,889)	(19,889)
(c) other fixed assets	-	-
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	(602)	(602)
(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	(20,491)	(20,491)
1.13 Total operating and investing cash flows (carried forward)	(28,890)	(28,890)

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		(28,890)	(28,890)
1.20	Cash at beginning of quarter/year to date	109,497	109,497
1.21	Exchange rate adjustments to item 1.20	(42)	(42)
1.22	Cash at end of quarter	80,565	80,565

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	658
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

During September, 2009 Molopo completed two acquisitions in Canada (the Bakken and Spearfish acquisitions). The acquisitions resulted in the issue of 2.44m exchangeable shares from Molopo's Canadian subsidiary (equivalent to Molopo Australia Ltd fully paid ordinary shares upon exchange) and the issue of 8,226,655 fully paid ordinary shares in Molopo Australia Ltd, of which a portion were issued subsequent to period end.

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)	2,749
4.2 Development (excludes JV partner contributions to project)	11,111
Total	13,860

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	2,771	702
5.2 Deposits at call	77,569	108,345
5.3 Bank overdraft	-	-
5.4 Other (security deposit held by bank)	225	450
Total: cash at end of quarter (item 1.22)	80,565	109,497

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	China - Liulin	PSC	34%	26%
6.2 Interests in mining leases acquired or increased	Canada (various in Saskatchewan and Manitoba)	Licence	None	Approx. 152 sections

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 <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities * (fully paid)				
MPO	188,997,813	188,997,813	-	-
7.4 Changes during quarter (a) Increases through issues	6,147,398	6,147,398	132	132
(b) Decreases	-	-	-	-
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (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			<i>Exercise price</i>	<i>Expiry date</i>
(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
MPOAB	400,000	-	\$0.89	20 Jan 2012
MPOAC	250,000	-	\$1.33	25 June 2012
	7,003,087	-		
7.8 Issued during quarter				
(Unlisted mgmt incentive options)				
	250,000	-	\$1.33	25 June 2012
	-	-		
7.9 Exercised during quarter				
	-	-	-	-

7.10	Expired during quarter	-	-	-	-
7.11	Debentures (totals only)				
7.12	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 Law or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: 
(CFO / Company Secretary)

Dated: 30th October 2009

Print name: Anthony Bishop

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.