



Quarterly Report

December 2009

Highlights

- Molopo recorded its first oil production and sales in Canada, selling 5,310 bbls for the Quarter.
- Molopo commenced an intensive drilling programme in the Canadian Bakken Oil play, spudding three new wells.
- As a preliminary indication Molopo estimates that its unaudited first half net profit before tax for FY10 is likely to be in the range of \$8m to \$9m due to the one-off impact of asset sales.
- Divestments: A\$7million received for Clarence-Moreton and US\$6 million received for Liulin.
- Mungi trial development drilling continues to demonstrate improving production rates and extended-reach inseam laterals (in excess of 1,500m).
- Two year Gas Sales Agreement (GSA) extension, at higher prices, to supply up to 6 TJ/day from Mungi to Dawson Sales Pty Limited.
- Cash reserves of \$83m at the end of the Quarter.

About Molopo Energy Limited

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

Molopo's portfolio (post recent sales) includes the following:

Australia

Queensland:

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

International

- South Africa - Evander & Virginia

- Canada – Quebec, Manitoba (oil), Saskatchewan (oil)
- USA - Mason County, West Virginia
- India (consultancy only)

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\$1.16
Market Cap:	A\$225m
Cash :	A\$83 million
Debt:	Nil

SALES VOLUMES AND REVENUE

Molopo Share	Q2 FY09	Q1 FY09	Change %
Sales Volume (boe)	20,780	15,990	30%
Revenue (A\$)	660,002	229,715	187%

Sales volumes comprise sales gas from the Mungi Gas Field of approximately 90 TJ and Molopo’s maiden oil sales amounting to 5,310 bbls from existing wells in its Spearfish acreage in Manitoba, acquired in the previous Quarter. This was a significant milestone, representing the first oil production for Molopo.

Further discussion can be found in the Project Review sections.

PROJECT REVIEW

BOWEN BASIN, QUEENSLAND

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

During the Quarter Molopo achieved a stabilised production rate milestone of 1 MMscf/d from its second innovative multi-lateral trial development well, Mungi 20A (100% Molopo sole risk). Mungi 20A demonstrated sustained production capability in excess of 1 MMscf/d.

At the end of the Quarter both Mungi-20 wells were awaiting workovers to clean out coal fines built-up in the vertical wells which had restricted pumping operations. At the time of this report Mungi-20A workover had been completed and the well returned to production. Mungi-20V workover was underway.

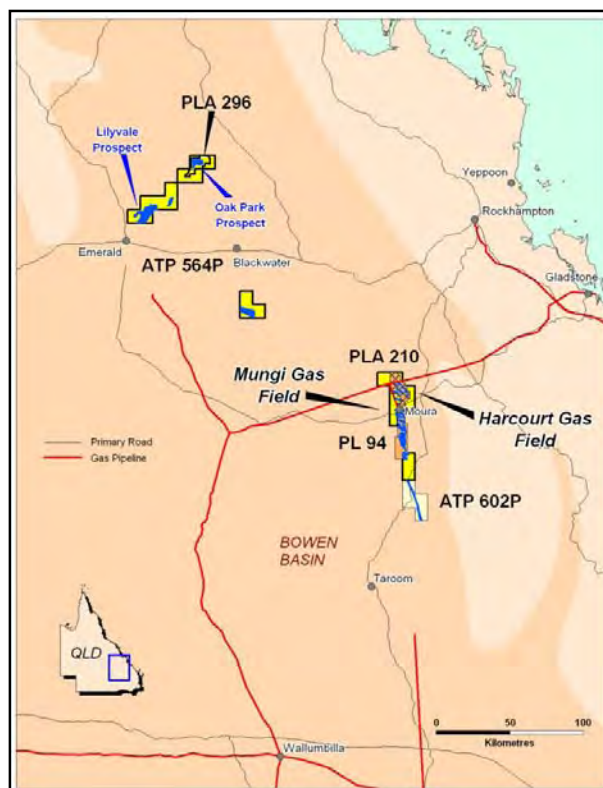
Mungi trial development drilling was completed on the fourth well in the current well programme, Mungi 21 (100% Molopo sole risk). By the end of the Quarter, Mungi 21 had successfully drilled and lined six laterals from three surface locations in the B and D seams. The in-seam portions of the laterals ranged from 900m-1,700m representing a total of over 8,000m of lateral and a net coal of approximately 7,800m or an impressive average net to gross of over 97%.

The Mungi 21 well has demonstrated the ability to

drill extended-reach in-seam sections, greater than 1,500m and for the first time successfully trialled the drilling of “boat shaped” laterals which provides access to an increased drainage area and gas reserves compared to the straighter designs used in the Mungi 20 laterals. Mungi 21 has completed sections through coals down to a depth of over 700m, extending the proven commercial depth range for the Mungi Field. At the time of writing the well was being completed prior to hooking up the drive head for the down hole pump.

Drilling commenced on the fifth well in the current Mungi trial development well programme, Mungi 23 (100% Molopo sole risk). Mungi 23 will target a

Queensland Permits



total of 9,000-10,000 metres of lined coal from nine laterals ranging from 1,000 to 1,500 metres gross length. Mungi 23 will test production from coals at depths in the range of 550-700 metres.

In December the vertical well, Mungi 23V, had been successfully drilled to a total depth of 801m, cased and under reamed over the B, C, D and E coal seams.

At the end of the Quarter drilling of the first radius bend as a precursor to the laterals was in progress. At the time of writing the first two laterals in the B and C seams had been successfully drilled.

At the end of the Quarter a reserves review process was underway for Mungi as an interim part of Molopo's overall end-2010 target of 200 Bscf 2P and 500 Bscf 3P reserves.

Based on recent positive trial drilling and production results from Mungi, Molopo announced that it had extended its existing Gas Sales Agreement (GSA) with Dawson Sales Pty Limited, a company owned by Anglo Coal (Dawson) Limited and Mitsui Moura Investment Pty Limited. The GSA continues to provide for the sale of up to 6 TJ/day on an as available basis for two years from 1st January 2010, at a price which represents a 5.4% increase on the existing GSA.

Molopo commenced its bankable feasibility study for its power generation project early in the Quarter, after it secured two alternative sites for the project in the previous Quarter. A project team has been assembled, with current efforts focused on progressing planning and development approvals, developing engineering, procurement, construction (EPC) and operating specifications, and developing terms for connection and access to the grid. Two stages are planned, with each stage having a capacity of 30MW.

On 30th December, Westside Corporation Limited (Westside) announced the conditional purchase of a range of coal seam gas assets in the Bowen Basin from Anglo Coal (Dawson) Limited. This includes Anglo's 25.5% stake in exploration tenements ATP602P, ATP564P, and PL94 North sublease, over which Molopo and Mitsui hold pre-emptive rights. Molopo expects to finalise its position in due course.

Molopo's share of production (after deducting its own use gas for compression) and gas sales from the Mungi Gas Field for the Quarter were approximately 90TJ which represented a 3% decrease on the previous quarter volume of approximately 93TJ. Molopo's share of revenue from gas sales for the Quarter was lower by 2.9% to \$222,958 compared with \$229,715 for the previous quarter. The reduced sales volumes were due to the workover activities on Mungi 20A and 20V

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

The JV continued to work on optimising drilling locations, securing approvals and finalising access and service agreements for the drilling and testing of three cored exploration wells over the Harcourt North area. The required site clearances will be completed in early 2010, with drilling now planned to commence in the second quarter of calendar year 2010.

Steady progress was made on establishing broad terms for a co-development agreement with Belvedere Coal Management Pty Ltd (BCM), a coal company with mining leases partly overlapping PLA210. BCM proposes to develop an underground longwall coal mine over part of the Harcourt South area.

TIMMY GAS PROSPECT - ATP602P (50% interest)

The JV continued to work on optimising drilling locations, securing approvals and finalising access and service agreements for the drilling and testing of three cored exploration wells over the Timmy area. The required site clearances will be completed in early 2010, with drilling now planned to commence late in the second quarter of calendar year 2010 due to delays in negotiating land access and the Anglo sale process.

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

The JV considered re-instating co-development agreement discussions with Xstrata Pty Ltd (Xstrata), a coal company with a mining lease partly overlapping PLA296. Xstrata proposes to develop an underground longwall coal mine over part of the Oak Park area. No field work was carried out during the Quarter.

CANADA

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

Molopo achieved its maiden quarter of oil production and sales from existing wells in its Spearfish acreage in Manitoba, acquired last Quarter. Oil sales for the Quarter totaled 5,310

bbls. This was a significant milestone representing the first oil production for Molopo.

Molopo's activities in Manitoba focused on exploration of the core acreage and expanding the existing oil production through the recompletion of a small number of existing horizontal wells in the Spearfish formation. The initial recompletions targeted those wells in which Molopo has a 100% working interest and trial current third-generation completion techniques used by other operators in the area. Initial results from these activities should be available during the next quarter.

In southern Saskatchewan, Molopo expanded its prospective Bakken acreage from 66 gross sections to 70.5 gross sections. The additional 4.5 sections are located within the industry defined Bakken fairway in the Estevan area. The 4.5 sections (3,006 acres gross, 1,922 acres net) were acquired at a cost of approximately C\$130 per acre. Molopo retains options on a further 6 sections of Bakken fairway acreage.

Saskatchewan & Manitoba Project Areas

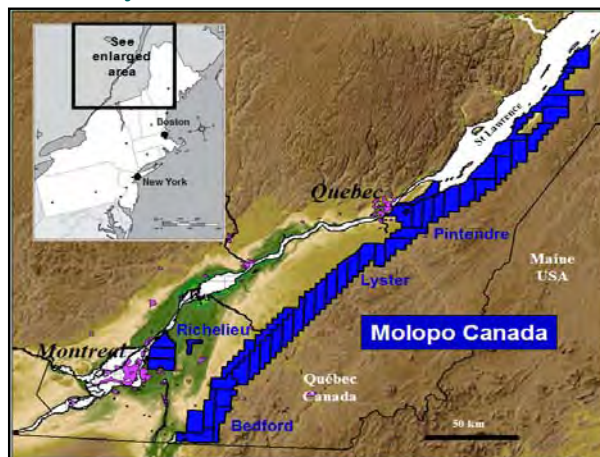


During the Quarter Molopo advanced lease selection, surveying and acquired regulatory approvals on up to six drilling locations for the initial Bakken stratigraphic test wells and horizontal wells to assess the productive potential of its leases. Bakken area drilling commenced in early December, by the end of the Quarter three wells were in progress. Estevan #1 a vertical exploration well had been drilled to approximately 2,000m, logged and a sidetrack was in progress. A second vertical exploration well, Estevan #2, was about to spud and the third well, Weyburn #1, a horizontal exploration well was drilling ahead at 173m, with a target depth of 1,600m.

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.

Quebec Project Area



During the Quarter, issues delaying the execution of a landowner agreement permitting access to the drilling location within the Richelieu area for Molopo's first well, St Marc sur Richelieu-1, were resolved. The agreement was signed and submitted to the Quebec Agricultural Commission on 20th November for approval. Three other Richelieu area drilling locations have been identified of which two have been surveyed.

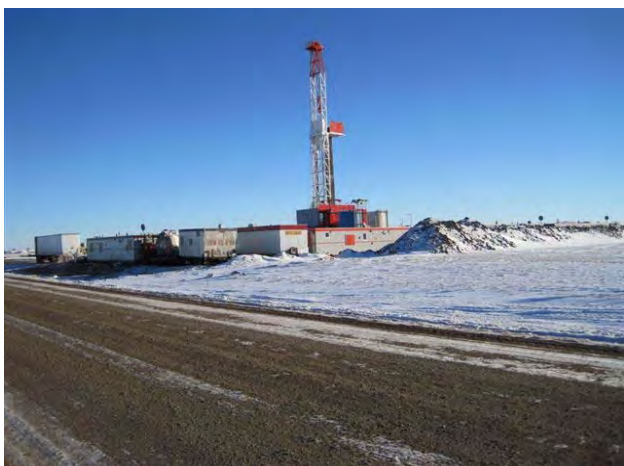
Seismic data acquired during the northern summer at Lyster and Pintendre has been interpreted.

Molopo continues to consider farming-out parts of its acreage in Quebec. Farm-out presentations are being prepared for NAPE, an annual petroleum expo in Houston, which will take place in February 2010. Farm-in discussions were also undertaken with a number of Quebec operators.

As a result of its increased activities in Canada, Molopo has expanded its managerial and technical capabilities by increasing personnel numbers. In November, Mr Monty Bowers was appointed as Molopo Energy Canada Ltd's President and Chief Executive Officer, based in Calgary, Canada.

Molopo is continuing to explore the possibility of either a dual listing of Molopo on the Toronto

Stock Exchange or a listing of Molopo's Canadian subsidiary.



Drilling at Estevan in the Bakken

CLARENCE-MORETON BASIN, NSW

PEL 426 (50% interest reducing to 43.4%) and PEL 13 (50% interest in conventional and 25% interest in CBM), divested December, 2009.

On 3rd December Molopo completed the sale of its interests in the Clarence Moreton Basin to Metgasco for \$7 million (\$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 Metgasco shares were divided into two equal tranches; Molopo has sold its Tranche 1 shares for gross proceeds of \$2,637,112. The Tranche 2 shares are subject to a full trading restriction through to 3rd December 2010.

The Tranche 2 shares are subject to a price adjustment mechanism, such that on 3rd December 2010, should there be a reduction in the value of the shares below \$2 million, further shares would be issued to Molopo such that the aggregate value of the Tranche 2 shares and additional shares is restored to \$2 million.

The sale of these interests will allow Molopo to focus its resources on core assets in Queensland, Canada and South Africa where it is believed cash flow, reserves and value can be built more rapidly and efficiently.

SOUTH AFRICA (100% interest)

During the Quarter the evaluation of wireline logs and geological data acquired in three core holes drilled in the Virginia exploration area was completed. Planning commenced to deepen these holes using percussion drilling as part of the next phase of exploration in 2010. Three additional new drilling targets identified in the Virginia area are under consideration for drilling in 2010.

Acquisition of an airborne hyper-spectral survey was completed in October over an area of 520 km² in the Virginia exploration area. The survey data processing and interpretation phase is in progress. The results of this survey and a related soil geochemistry sampling programme, completed in November will be used to select future drilling targets.

Gas flow monitoring of the Virginia mineral core wells has continued during the Quarter. Cumulative production increased marginally and was approaching approximately 1.0 MMscf/d by the end of the Quarter. After over 27 months of monitoring these wells continue to demonstrate stable gas flows.

The evaluation of core and wireline log data collected over the Karoo Supergroup in three core holes drilled last Quarter in the Evander exploration area is continuing.

Planning and land access approval negotiations continued for the 2010 Evander seismic survey which proposes to acquire approximately 30 line kilometres of 2D seismic over 5 lines.

Molopo continued to test the viability of gas currently venting from mineral core wells as a fuel source for vehicles. Commercialisation of this gas may initially occur via the sale of compressed natural gas (CNG) to power vehicles. Molopo is currently concluding negotiations in respect of a Gas Sales Agreement with a local company for the processing and sale of 600 Mscf/day.

CHINA - LIULIN PROJECT, SHANXI PROVINCE (26% gross, 13% net), divested November, 2009

On 23rd November Molopo completed the sale of its interest in Liulin for US\$6 million, comprising US\$4 million in cash and US\$2 million in Fortune Oil shares. The transfer of Molopo's interest

involved a sale of its shares in the Joint Venture company, Fortune Liulin Gas Company Limited. The sale to Fortune Oil superseded the proposed sale of the shares in Fortune Liulin Gas Company Limited to Pacific Asia Petroleum Inc., referred to in Molopo's announcement to ASX on 5th October 2009.

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

No field work was undertaken during the Quarter.

INDIA – Jharia and Raniganj Coalfields

Molopo commenced the initial data gathering phase of the 2 year project funded by Coal India Limited (CIL) and executed in association with the Central Institute of Coal Mining and Fuel Research (CIMFR), relating to the production and utilisation of methane gas from CIL coal mining leases.

During the Quarter work focused on the acquisition of existing gas and geological data to assist in identification of areas for gas drainage trails.

CORPORATE

At the end of the Quarter, Molopo had approximately \$83m of cash reserves and no debt.

During the Quarter Standard and Poors announced the removal of Molopo Energy Ltd from the S&P/ ASX 200.

OUTLOOK

It is likely that Molopo will realise an accounting profit for its interim FY10 result as a consequence of the one-off impacts of the sale of its interests in Liulin (China) and Clarence-Moreton (Australia). As a preliminary indication, Molopo estimates that its unaudited first half net profit before tax for FY10 is likely to be in the range of \$8-\$9m. Molopo notes that the actual result could vary from its guidance range due to other factors including asset carrying values, amortisation rates and associated company results.

During the January to March 2010 quarter, Molopo will undertake an intensive drilling

programme in both the Spearfish and Bakken oil areas in Canada. It is expected the drilling programme will be expanded to comprise up to eleven vertical wells, fourteen horizontal wells together with two or three recompletions of existing producing wells.

This work programme is designed to increase oil production and oil reserves, assist in the design of future completion techniques, appraise both the primary and additional oil bearing zones within parts of the acreage, meet work commitments and retain prospective acreage. Due to seasonal conditions, this level of activity is expected to slow in the following quarter.

Yours faithfully,

MOLOPO ENERGY LIMITED

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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 ENERGY LIMITED

ACN or ARBN

003 152 154

Quarter ended ("current quarter")

31 December 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	764	984
1.2 Payments for		
(a) exploration and evaluation	(1,902)	(5,196)
(b) development	(5,576)	(10,410)
(c) production	(382)	(615)
(d) administration	(658)	(1,981)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	307	1,372
1.5 Interest and other costs of finance paid	(1)	(1)
1.6 Income taxes paid	-	-
1.7 Other	-	-
Net Operating Cash Flows	(7,448)	(15,847)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	(805)	(20,694)
(c) other fixed assets	-	-
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	3,144	2,543
(c) tenements	3,692	3,692
(d) financial instruments	1,319	1,319
(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	7,350	(13,140)
1.13 Total operating and investing cash flows (carried forward)	(98)	(28,987)

Cash flows related to financing activities			
1.14	Net Proceeds from issues of shares, options, etc.	2,129	2,129
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		2,129	2,129
Net increase (decrease) in cash held		2,031	(26,858)
1.20	Cash at beginning of quarter/year to date	80,565	109,497
1.21	Exchange rate adjustments to item 1.20	(7)	(50)
1.22	Cash at end of quarter	82,589	82,589

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	247
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 the Quarter, Molopo completed two asset sales: the sale of its interest in Liulin, China to Fortune Liulin Gas Company and the sale of its Clarence Moreton interests in NSW to Metgasco Limited. The two asset sales resulted in receiving 14,314,047 fully paid ordinary shares in Fortune Oil Plc and 7,378,712 fully paid ordinary shares in Metgasco Limited as part of the sale consideration.

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)	16,099
4.2 Development (excludes JV partner contributions to project)	20,295
Total	36,394

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	16,249	2,771
5.2 Deposits at call	66,136	77,569
5.3 Bank overdraft	-	-
5.4 Other (security deposit held by bank)	204	225
Total: cash at end of quarter (item 1.22)	82,589	80,565

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	26%	-
	PEL 13 in Clarence Moreton Basin NSW (CBM gas resources)	Licence	25%	-
	PEL 13 in Clarence Moreton Basin NSW (Conventional gas resources)	Licence	50%	-
	PEL 426 in Clarence Moreton Basin NSW (Conventional gas resources)	Licence	50%	-
6.2 Interests in mining leases acquired or increased	Canada – Estevan (Bakken), Saskatchewan.	Licence	66 gross sections	70.5 gross 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 (description)				
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	193,921,119	193,921,119	-	-

7.4	Changes during quarter				
	(a) Increases through issues	2,079,257	2,079,257	128	128
		300,000	300,000	25	25
		100,000	100,000	37.50	37.50
		2,444,049	2,444,049	128	128
	(b) Decreases	-	-	-	-

7.5	+Convertible debt securities (description)				
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 (A\$)</i>	<i>Expiry date</i>
(Unlisted mgmt incentive options)				
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
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
MPOAW	250,000	-	\$1.33	25 June 2012
MPOAB	603,000	-	\$1.24	5 October 2012
MPOAB	100,000	-	\$1.64	17 December 2012
	7,306,087	-		
7.8 Issued during quarter				
(Unlisted mgmt incentive options)				
	603,000	-	\$1.24	5 October 2012
	100,000	-	\$1.64	17 December 2012
	703,000	-		

7.9	Exercised during quarter	300,000 100,000	- -	\$0.250 \$0.375	
7.10	Expired during quarter				
7.11	Debentures <i>(totals only)</i>				
7.12	Unsecured notes <i>(totals only)</i>				

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: 29th January 2010

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.