



MOLOPO ENERGY LIMITED

A.B.N. 79 003 152 154

INTERIM FINANCIAL REPORT

For the half-year ended 30 June 2016

INDEX

| | |
|---|----|
| Corporate Directory | 3 |
| Directors' Report | 4 |
| Auditor's Independence Declaration | 7 |
| Condensed Consolidated Statement of Financial Position | 8 |
| Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income | 9 |
| Condensed Consolidated Statement of Changes in Equity | 11 |
| Condensed Consolidated Statement of Cash Flows | 12 |
| Notes to the Condensed Consolidated Financial Statements | 13 |
| Directors' Declaration | 19 |
| Independent Auditor's Review Report | 20 |



Corporate Directory

Directors

S. Tough (Independent Chairman)
A. Sormann (Non-Executive Director)
S. Belzberg (Non-Executive Director)
Y. Stern (Independent Non-Executive Director)
R. Rosengart (Non-Executive Director)

Company Secretary

A. Metcalfe

Registered Office

C/- Accosec & Associates
Level 2, 470 Collins Street
Melbourne, Victoria 3000 Australia
Telephone: (61 3) 9867 7199
Facsimile: (61 3) 9867 8587
Postal Address: PO Box 255, Seddon
Victoria 3011 Australia

Website and Email

www.molopoenergy.com

Auditors

BDO East Coast Partnership
Level 14, 140 William Street
Melbourne, Victoria 3000
Australia

Bankers

National Australia Bank Limited
330 Collins Street
Melbourne, VIC 3000
Australia

National Bank of Canada
301 – 6th Avenue
Calgary, AB T2P 4M9
Canada

Share Registry

Computershare Investor Services Pty Ltd
Yarra Falls
452 Johnston Street
Abbotsford VIC 3067
Australia
Telephone: (61 3) 9415 4000

Stock Exchange Listing

Australian Securities Exchange Limited
Level 4, North Tower
525 Collins Street
Melbourne, VIC 3000
Australia

(ASX code: MPO)



Directors' Report

The Directors present their report on the consolidated entity (the "Group") consisting of Molopo Energy Limited ("Molopo" or the "Company") and the entities it controlled at the end of, or during, the half-year ended 30 June 2016.

Directors

The names of the Directors in office at any time during the half-year and up to the date of this report are:

| Name of Director | Position |
|------------------|--|
| Samantha Tough | Independent Chairman and Non-executive Director |
| Antony Sormann | Non-executive Director |
| Samuel Belzberg | Non-executive Director |
| Yaniv Stern | Non-executive Director |
| Ronnen Rosengart | Non-executive Director (appointed 27 April 2016) |

Principal Activities

The Group's principal activities during the half year were management of litigation matters and cash reserves whilst the Company continues to assess opportunities in the oil & gas sector.

Financial Review

The result of the Group for the financial half-year ended 30 June 2016 was an after tax loss of \$0.06 million (30 June 2015: loss of \$0.58 million). No dividend was declared for the period.

Corporate

The Company has actively managed its cash reserves during the reporting period earning interest revenues of \$0.9 million from treasury management of over \$67.5 million in cash reserves.

The Company has made cash payments relating to administration, employee and legal expenses of approximately \$0.94 million during the reporting period, with at least \$0.44 million of these expenses being one-off payments relating to due diligence on an investment opportunity, outstanding tax payments and legacy employee entitlements.

As the Company is reviewing oil and gas opportunities in an active manner, costs will be incurred in assessing those opportunities. The Board is conscious of keeping such costs to a minimum and only incurring expenditure on those opportunities that it considers would be favourable to delivering value to shareholders.

At the end of the period, Molopo held cash in bank of \$67.5 million, 87% of the cash was held in Australian dollars, 1% in United States dollars and 12% in Canadian dollars. The Canadian dollars are retained as an offset to the provision for the litigation which sits in a Canadian subsidiary.



Directors' Report

Legal Disputes

There are currently a series of legal actions in Canada concerning the Company and Molopo Energy Canada Ltd. ("MECL"), a wholly owned subsidiary of the Company, all of which relate to the sale by MECL of its interests in various oil and gas assets on 1 March 2011.

In September 2016, all legal actions brought against MECL by the Plaintiff, 3105682 Nova Scotia ULC, were consolidated into one action by agreement of all parties. As part of the consolidation process, all parties have agreed to a timetable to progress the litigation to Court. Based on this timetable, it will be August 2017 before a trial date can be requested. Following this request, it could be a further year before a trial date is provided and therefore at least 2 years before this matter is resolved in Court. Attempts to agree alternate resolution to this matter with the Plaintiff have not been successful.

A summary of the consolidated legal actions follows:

1. A former joint venture partner (3105682 Nova Scotia ULC ("310 ULC")) commenced legal action in 2011 against MECL claiming MECL breached various agreements relating to the relevant joint venture, including breach of fiduciary duties, trust and good faith. 310 ULC has sought declarations, accountings, damages of 25% revenue, C\$35.0 (A\$37.3) million general damages, C\$1.0 (A\$1.0) million punitive and aggravated damages, interest, GST and indemnity costs.

Molopo Energy Limited itself is not a party to any of the above proceedings.

The Group previously made a C\$8.4 (A\$8.7) million provision, which remains the same in these financial statements in relation to this litigation (see Note 5 of the financial statements).

2. 310 ULC commenced legal action in 2013 against the purchaser of MECL's interests in the assets, (Legacy Oil & Gas Inc. ("Legacy")), as successor in title to MECL, claiming that Legacy continued some breaches allegedly committed by MECL and committed further breaches of the agreements relating to the relevant joint venture, including breaches of fiduciary duties, trust and good faith. 310 ULC has sought declarations, accountings, damages of 25% revenue, C\$90.0 (A\$93.4) million general damages, C\$1.0 (A\$1.0) million punitive and aggravated damages, interest, GST and indemnity costs.

Legacy has issued a third party notice to both MECL and Molopo on the basis of indemnities provided by MECL to Legacy in the sale agreement between MECL and Legacy, and a guarantee provided by Molopo to Legacy in relation to MECL's obligations under the sale agreement.

In June 2015, Legacy was acquired by Crescent Point Energy Corporation, an oil and gas company based in Calgary, Canada.

3. 310 ULC commenced legal action against Molopo in December 2015 claiming that Molopo is liable to 310 ULC for inducing a breach of contract and inducing breaches of other duties by MECL in relation to the joint venture agreements, the subject of the proceedings referred to in point 1 above.
4. 310 ULC commenced legal action in 2013 against three former MECL employees, claiming they induced MECL to breach the joint venture agreements the subject of the proceedings referred to in point 1 above. 310 ULC sought against each employee special damages, C\$65.0 (A\$69.4) million general damages, C\$2.0 (A\$2.2) million punitive damages, interest, GST and indemnity costs.



Directors' Report

In September 2016 counsel representing the Plaintiff, 3105682 Nova Scotia ULC, filed a release and discharge notice releasing the former employees of MECL from any liability and therefore is not part of the consolidated proceedings.

Molopo's D&O insurers have been notified of this release. Neither Molopo nor MECL were parties to these proceedings.

In relation to a separate legal matter, in December 2015, Molopo Energy Limited received notice of a statement of claim ("Claim") that had been filed with the Court of Queen's Bench of Alberta, Canada ("Court") by a joint venture partner ("JV Partner") in the Spearfish project, claiming damages against the Company. The Claim is in addition to the claim filed against Molopo Energy Canada Limited in March 2011, and reported above. The Company is defending the Claim and will lodge an application to have the Claim struck-out.

Performance Share Rights

The issue of securities under the Company's performance share plan was ceased in August 2015 and the Company has unvested Performance Share Rights of 15,957 due to vest on 31 December 2016.

Rounding of amounts

The Company is of the kind referred to in ASIC Corporations (Rounding in Financial/Directors Reports) Legislative Instrument 2016/191, dated 1 April 2016, and in accordance with that Legislative Instrument amounts in the Directors Report and the Financial Statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

Auditor's Independence Declaration

The auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is included in the interim financial report.

Signed in accordance with a resolution of Directors made pursuant to section 306(3) of the *Corporations Act 2001*.

On behalf of the Directors

Antony Sormann
Non-executive Director

9 September 2016

DECLARATION OF INDEPENDENCE BY JAMES MOONEY TO THE DIRECTORS OF MOLOPO ENERGY LIMITED

As lead auditor for the review of Molopo Energy Limited for the half-year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Molopo Energy Limited and the entities it controlled during the period.



James Mooney
Partner

BDO East Coast Partnership

Melbourne, 9 September 2016

**Condensed Consolidated Statement of Financial Position
As at 30 June 2016**

| | | Consolidated | |
|--------------------------------------|------|---------------|---------------|
| | | 30 June | 31 December |
| | | 2016 | 2015 |
| | Note | A\$000 | A\$000 |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | | 67,550 | 67,263 |
| Trade and other receivables | | 212 | 146 |
| TOTAL CURRENT ASSETS | | 67,762 | 67,409 |
| TOTAL ASSETS | | | |
| | | 67,762 | 67,409 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 4 | 312 | 262 |
| Provisions | 5 | - | 48 |
| TOTAL CURRENT LIABILITIES | | 312 | 310 |
| NON-CURRENT LIABILITIES | | | |
| Provisions | 5 | 8,691 | 8,258 |
| TOTAL NON-CURRENT LIABILITIES | | 8,691 | 8,258 |
| TOTAL LIABILITIES | | 9,003 | 8,568 |
| NET ASSETS | | 58,759 | 58,841 |
| EQUITY | | | |
| Share capital | 6 | 157,321 | 157,321 |
| Reserves | | (3,989) | (3,971) |
| Accumulated losses | | (94,573) | (94,509) |
| TOTAL EQUITY | | 58,759 | 58,841 |

The above Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.



Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half-year ended 30 June 2016

| | Note | Consolidated | |
|--|------|--|--|
| | | Six Months Ended 30 June 2016 A\$000 | Six Months Ended 30 June 2015 A\$000 |
| Revenue from continuing operations | | - | - |
| Foreign exchange gains | | 13 | 349 |
| Interest and other revenue | | 874 | 586 |
| Administration expenses | | (294) | (130) |
| Salary and employee benefits expense | | (165) | (452) |
| Legal, management and consulting fees | | (483) | (472) |
| Operating lease expense | | - | (57) |
| Finance costs | | (1) | - |
| Share based payments | | - | (273) |
| LOSS BEFORE INCOME TAX | | (56) | (449) |
| Income tax expense from continuing operations | | (8) | (39) |
| LOSS FROM CONTINUING OPERATIONS | | (64) | (488) |
| Discontinued operation | | | |
| Loss from discontinued operation net of income tax | 3 | - | (90) |
| LOSS FOR THE PERIOD | | (64) | (578) |
| OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX | | | |
| Foreign currency translation gain/(loss) | | (18) | 59 |
| Total other comprehensive income/(loss) | | (18) | 59 |
| TOTAL COMPREHENSIVE LOSS | | (82) | (519) |
| Total comprehensive loss for the half-year attributable to: | | | |
| Continuing operations | | (82) | (429) |
| Discontinued operations | | - | (90) |

The above Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.



Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half-year ended 30 June 2016

| | Consolidated | |
|--|--|--|
| | Six Months Ended 30 June 2016 | Six Months Ended 30 June 2015 |
| <hr/> | | |
| Earnings per share for loss from continuing operations attributable to the owners of Molopo Energy Limited: | | |
| Basic loss per share (cents per share) | (0.03) | (0.17) |
| Diluted loss per share (cents per share) | (0.03) | (0.17) |
| Earnings per share for loss from discontinuing operations attributable to the owners of Molopo Energy Limited: | | |
| Basic loss per share (cents per share) | 0.00 | (0.04) |
| Diluted loss per share (cents per share) | 0.00 | (0.04) |
| Earnings per share for loss attributable to the owners of Molopo Energy Limited: | | |
| Basic loss per share (cents per share) | (0.03) | (0.21) |
| Diluted loss per share (cents per share) | (0.03) | (0.21) |

The above Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

**Condensed Consolidated Statement of Changes in Equity
For the half-year ended 30 June 2016**

| | Ordinary shares (A\$000) | Share based payment reserve (A\$000) | Foreign currency translation reserve (A\$000) | Investment fluctuation reserve (A\$000) | (Accumulated losses) (A\$000) | Total equity (A\$000) |
|--|--------------------------------|---|---|--|-------------------------------------|--------------------------|
| At 1 January 2016 | 157,321 | 111 | (4,082) | - | (94,509) | 58,841 |
| Loss for the period | - | - | - | - | (64) | (64) |
| Other comprehensive income | - | - | (18) | - | - | (18) |
| Total comprehensive income for the period | - | - | (18) | - | (64) | (82) |
| Transactions with owner's in their capacity as owners | | | | | | |
| Share based payments | - | - | - | - | - | - |
| Balance at 30 June 2016 | 157,321 | 111 | (4,100) | - | (94,573) | 58,759 |
| At 1 January 2015 | 157,271 | 1,433 | (14,030) | (29,353) | (56,073) | 59,248 |
| Loss for the period | - | - | - | - | (578) | (578) |
| Other comprehensive income | - | - | 59 | - | - | 59 |
| Total comprehensive income for the period | - | - | 59 | - | (578) | (519) |
| Transactions with owner's in their capacity as owners | | | | | | |
| Share based payments | - | 273 | - | - | - | 273 |
| Share based payment transferred in/(out) | 949 | (949) | - | - | - | - |
| Balance at 30 June 2015 | 158,220 | 757 | (13,971) | (29,353) | (56,651) | 59,002 |

The above Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

**Condensed Consolidated Statement of Cash Flows
For the half-year ended 30 June 2016**

| | Consolidated | |
|---|---|---|
| | Six Months Ended 30 June 2016 A\$000 | Six Months Ended 30 June 2015 A\$000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from customers | - | 446 |
| Payments to suppliers and employees | (450) | (2,122) |
| Interest received | 750 | 361 |
| Tax paid | (8) | - |
| NET CASH PROVIDED BY/ (USED IN) OPERATING ACTIVITIES | 292 | (1,315) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from disposal of oil and gas properties | - | 1,258 |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | - | 1,258 |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Payment for share buyback | - | (69) |
| NET CASH (USED IN) FINANCING ACTIVITIES | - | (69) |
| NET INCREASE/(DECREASE) IN CASH HELD | 292 | (126) |
| OPENING CASH AND CASH EQUIVALENTS | 67,263 | 67,385 |
| Effect of exchange rate changes | (6) | 567 |
| CLOSING CASH AND CASH EQUIVALENTS | 67,550 | 67,826 |

The above Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.



Notes to the Condensed Consolidated Financial Statements

1. CORPORATE INFORMATION

Molopo Energy Limited (“Molopo” or the “Company”) is a company incorporated and domiciled in Australia. The condensed consolidated financial report of the Company as at and for the half-year ended 30 June 2016 comprises the Company and its subsidiaries (together referred to as the “Group”).

Operations and Principal Activities

The Group’s principal activities during the half year were management of litigation matters and cash reserves whilst seeking new investment opportunities in the oil & gas sector.

Registered Office and Principal Place of Business

Level 2, 470 Collins Street, Melbourne, Victoria 3000 Australia

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of Preparation

The condensed consolidated interim financial report is a general purpose financial report which has been prepared in accordance with the requirements of the *Corporations Act 2001*, applicable Accounting Standards including AASB 134 *Interim Financial Reporting* and other mandatory professional reporting requirements. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard AASB 134 *Interim Financial Reporting*.

The condensed consolidated interim financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the annual financial report.

The Company is of the kind referred to in ASIC Corporations (Rounding in Financial/Director’s Reports) Legislative Instrument 2016/191, and in accordance with that Legislative Instrument amounts are rounded off to the nearest thousand dollars, unless otherwise indicated.

The condensed consolidated interim financial report should be read in conjunction with the consolidated annual financial report as at 31 December 2015, together with any public announcements made by the Company during the half-year ended 30 June 2016 in accordance with its continuous disclosure obligations.

The accounting policies adopted are consistent with those of the previous financial period. All references in this report are to Australian dollars unless otherwise stated.

Adoption of New and Revised Accounting Standards

The significant accounting policies are the same as those set out in the Company’s 31 December 2015 audited consolidated financial statements and have been consistently applied to all the periods presented in these financial statements. These standards did not have a significant impact on the consolidated condensed interim financial statements or disclosures.

The Group has chosen not to early-adopt any accounting standards that have been issued, but are not yet effective.

**3. DISCONTINUED OPERATIONS**

| | Consolidated | |
|--|---|---|
| | Six Months Ended 30 June 2016 A\$000 | Six Months Ended 30 June 2015 A\$000 |
| Results of discontinued operation | | |
| Revenue | | |
| - Proceeds from the sale of gas produced | - | 200 |
| - Proceeds from the sale of oil produced | - | 82 |
| | - | 282 |
| Expenses | - | (360) |
| (Loss)/Profit from discontinued activities before tax | - | (78) |
| Income tax benefit | - | - |
| (Loss)/Profit from discontinued activities, net of tax | - | (78) |
| Loss on sale of discontinued operation | - | (12) |
| Income tax on loss on sale of discontinued operation | - | - |
| (Loss)/Profit for the period from discontinued operations | - | (90) |
| Cash flows used in discontinued operations | | |
| Net cash used in operating activities | - | (185) |
| Net cash used in investing activities | - | - |
| Net cash used in financing activities | - | - |
| Net cash flows for the period | - | (185) |

4. TRADE AND OTHER PAYABLES

| | Consolidated | |
|----------------------------|------------------------------------|--|
| | 30 June 2016 A\$000 | 31 December 2015 A\$000 |
| Trade creditors | 126 | 105 |
| Other creditors & accruals | 186 | 156 |
| | 312 | 262 |

**5. PROVISIONS**

| | Consolidated | |
|---------------------------|------------------------------------|--|
| | 30 June 2016 A\$000 | 31 December 2015 A\$000 |
| <hr/> | | |
| CURRENT | | |
| Employee entitlements | - | 48 |
| | - | 48 |
| NON-CURRENT | | |
| Provision for legal claim | 8,691 | 8,258 |
| | 8,691 | 8,258 |

Employee Entitlements

As at 30 June 2016 the provision for employee entitlements was \$nil (2015: \$48k) as the Company does not have any employees following the wind up of operations.

Provision for Legal Claim

In March 2011, Molopo Energy Canada Ltd ("MECL"), a wholly owned subsidiary of Molopo was served with a statement of claim ("Claim") that had been filed with the Court of Queen's Bench of Alberta, Canada ("Court") by a joint venture partner ("JV Partner") in the Spearfish project that was sold in March, 2011. The JV Partner is seeking various court orders, declarations and specified damages of C\$36.0 (A\$37.4) million plus further un-quantified damages. On 8 April 2011, MECL filed a statement of defence and a counterclaim in respect of the above matter with the Court.

Subsequent to the filing of the statement of defence, the Company undertook an extensive examination of the transactions that gave rise to the dispute. This examination revealed that the JV Partner was in default of its obligations under the contract at the time, and should not be entitled to recover anything in relation to the dispute. However, should any amount be found to be owing to the JV Partner, there may have been value in certain exploration lands that were acquired and subsequently sold by the Company, to which the JV Partner may have had some rights had they not been in breach of their obligations under the JV agreements, and as such a provision was reflected in the accounts to estimate the value of those lands that would have been offered to the JV Partner at that time.

The original provision reflected in the accounts in 2012 was a net C\$5.0 (A\$5.2) million. In early 2013, the JV Partner essentially settled the counterclaim by making a payment of C\$3.4 (A\$3.5) million to the Company, at which time the Company increased the net provision to C\$8.4 (A\$8.7) million.

The movement in the provision for legal claim arises solely from fluctuations in foreign exchange rates in the period.

In September 2016, counsel representing MECL and counsel representing 3105682 Nova Scotia ULC (who has brought the various legal actions against MECL) agreed to a Consolidation of the actions to ensure judicial economy and consistency, including avoiding duplication of records production and review, questioning, and other pre-trial procedures. In addition, consolidation ensure that the Court is fully informed and in a position to reach a proper determination of all the issues as continuing with four individual actions raises a significant risk of multiple inconsistent rulings.

The Company received notification that following agreement on the consolidation of actions agreed between the parties, the earliest time to request a trial is August 2017.

**6. SHARE CAPITAL**

| | Consolidated | |
|--|------------------------------------|--|
| | 30 June 2016 A\$000 | 31 December 2015 A\$000 |
| (a) Issued and paid-up capital | | |
| Ordinary shares fully paid | <u>157,321</u> | 157,321 |
| (b) Movements in shares on issue | | |
| Balance at beginning of period | 157,321 | 157,271 |
| Issue of shares | - | 50 |
| | <u>157,321</u> | <u>157,321</u> |
| (c) Share Capital Movement (Number of Shares) | | |
| | No. | No. |
| On Issue at beginning of period | 249,040,648 | 248,705,730 |
| PSRs vested and issued | - | 334,918 |
| On Issue at end of period | <u>249,040,648</u> | <u>249,040,648</u> |

7. SEGMENT INFORMATION**Identification of reportable segments**

Operating segments are reported in a manner that is consistent with the internal reporting provided to the Board of Directors and the Executive Management Team (the chief operating decision makers).

The following reportable segments have been identified:

- Australia
- Canada
- USA

Information about reportable segments

| | Australia A\$000 | Canada A\$000 | USA A\$000 | Total A\$000 |
|--|-----------------------------|--------------------------|-----------------------|-------------------------|
| Six months ended 30 June 2016 | | | | |
| External revenues | - | - | - | - |
| Reportable segment profit (loss) after tax | (55) | (6) | (3) | (64) |
| Reportable segment assets | 58,959 | 8,564 | 238 | 67,762 |
| Six months ended 30 June 2015 | | | | |
| External revenues | - | - | - | - |
| Reportable segment profit (loss) after tax | 344 | (882) | (40) | (578) |
| Reportable segment assets | 59,224 | 8,643 | 223 | 68,090 |



8. CONTINGENCIES AND COMMITMENTS

Legal Disputes

There are currently a series of legal actions in Canada concerning the Company and Molopo Energy Canada Ltd. ("MECL"), a wholly owned subsidiary of the Company, all of which relate to the sale by MECL of its interests in various oil and gas assets on 1 March 2011.

In September 2016, all legal actions brought against MECL by the Plaintiff, 3105682 Nova Scotia ULC, were consolidated into one action by agreement of all parties. As part of the consolidation process, all parties have agreed to a timetable to progress the litigation to Court. Based on this timetable, it will be August 2017 before a trial date can be requested. Following this request, it could be a further year before a trial date is provided and therefore at least 2 years before this matter is resolved in Court. Attempts to agree alternate resolution to this matter with the Plaintiff have not been successful.

A summary of the consolidated legal actions follows:

1. A former joint venture partner (3105682 Nova Scotia ULC ("310 ULC")) commenced legal action in 2011 against MECL claiming MECL breached various agreements relating to the relevant joint venture, including breach of fiduciary duties, trust and good faith. 310 ULC has sought declarations, accountings, damages of 25% revenue, C\$35.0 (A\$37.3) million general damages, C\$1.0 (A\$1.0) million punitive and aggravated damages, interest, GST and indemnity costs.

Molopo Energy Limited itself is not a party to any of the above proceedings.

The Group previously made a C\$8.4 (A\$8.7) million provision, which remains the same in these financial statements in relation to this litigation.

2. 310 ULC commenced legal action in 2013 against the purchaser of MECL's interests in the assets, (Legacy Oil & Gas Inc. ("Legacy")), as successor in title to MECL, claiming that Legacy continued some breaches allegedly committed by MECL and committed further breaches of the agreements relating to the relevant joint venture, including breaches of fiduciary duties, trust and good faith. 310 ULC has sought declarations, accountings, damages of 25% revenue, C\$90.0 (A\$93.4) million general damages, C\$1.0 (A\$1.0) million punitive and aggravated damages, interest, GST and indemnity costs.

Legacy has issued a third party notice to both MECL and Molopo on the basis of indemnities provided by MECL to Legacy in the sale agreement between MECL and Legacy, and a guarantee provided by Molopo to Legacy in relation to MECL's obligations under the sale agreement.

In June 2015, Legacy was acquired by Crescent Point Energy Corporation, an oil and gas company based in Calgary, Canada.

3. 310 ULC commenced legal action against Molopo in December 2015 claiming that Molopo is liable to 310 ULC for inducing a breach of contract and inducing breaches of other duties by MECL in relation to the joint venture agreements, the subject of the proceedings referred to in point 1 above.
4. 310 ULC commenced legal action in 2013 against three former MECL employees, claiming they induced MECL to breach the joint venture agreements the subject of the proceedings referred to in point 1 above. 310 ULC sought against each employee special damages, C\$65.0 (A\$69.4) million general damages, C\$2.0 (A\$2.2) million punitive damages, interest, GST and indemnity costs.

In September 2016 counsel representing the Plaintiff, 3105682 Nova Scotia ULC, filed a release and discharge notice releasing the former employees of MECL from any liability and therefore is not part of the consolidated proceedings.



Molopo's D&O insurers have been notified of this release. Neither Molopo nor MECL were parties to these proceedings.

In relation to a separate legal matter, in December 2015, Molopo Energy Limited received notice of a statement of claim ("Claim") that had been filed with the Court of Queen's Bench of Alberta, Canada ("Court") by a joint venture partner ("JV Partner") in the Spearfish project, claiming damages against the Company. The Claim is in addition to the claim filed against Molopo Energy Canada Limited in March 2011, and reported above. The Company is defending the Claim and will lodge an application to have the Claim struck-out.



DIRECTORS' DECLARATION

The Directors declare that:

- (a) The financial statements and notes of the Group are in accordance with the *Corporations Act 2001*, including:
 - (i) Giving a true and fair view of the financial position as at 30 June 2016 and the performance for the half-year ended on that date of the consolidated entity; and
 - (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors made pursuant to section 303(5) of the *Corporations Act 2001*.

On behalf of the Directors,

A handwritten signature in black ink, appearing to read 'Antony Sormann', written over a horizontal line.

Antony Sormann
Non-executive Director

9 September 2016

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Molopo Energy Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Molopo Energy Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Molopo Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

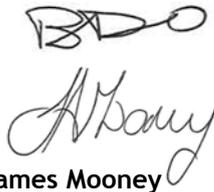
In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Molopo Energy Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Molopo Energy Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

BDO East Coast Partnership

A handwritten signature in black ink, appearing to read 'James Mooney'. Above the signature is a stylized, handwritten 'BDO' logo.

James Mooney
Partner

Melbourne, 9 September 2016