



# **MOLOPO ENERGY LIMITED**

A.B.N. 79 003 152 154

## **INTERIM FINANCIAL REPORT**

**For the half-year ended 30 June 2014**

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## Corporate Directory

### Directors

J. Schwarz (Chairman)  
D. Engle (Acting CEO)  
G. Ross (Non-Executive Director)  
C. Ryan (Non-Executive Director)  
G. Smith (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

### Canadian Office

Suite 2000,  
500 4<sup>th</sup> Avenue SW  
Calgary, AB T2P 2V6  
Canada  
Telephone: (403) 264-9778  
Facsimile: (403) 264-9903

### Website and Email

[www.molopoenergy.com](http://www.molopoenergy.com)

[investorrelations@molopoenergy.com](mailto:investorrelations@molopoenergy.com)

### Auditors

Deloitte Touche Tohmatsu  
550 Bourke Street  
Melbourne, Victoria 3000  
Australia

### Engineers

Sroule Associates Ltd.  
900, 4<sup>th</sup> Avenue SW  
Calgary, AB T2P 3N3  
Canada

### Bankers

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

National Bank of Canada  
301 – 6<sup>th</sup> 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 2014.

### 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	Office Date Change
Jeffrey Schwarz	Chairman and Non-executive Director	
Don Engle <sup>1</sup>	Acting Chief Executive Officer	Appointed 2 September 2014
Steven Cloutier	Chief Executive Officer and Managing Director	Retired 2 September 2014
Garry Cameron	Non-executive Director	Retired 28 May 2014
Glenn Ross	Non-executive Director	
Chris Ryan	Non-executive Director	Appointed 8 April 2014
Brian Straub	Non-executive Director	Retired 18 June 2014
Gregory Smith	Non-executive Director	Appointed 18 June 2014

1. Mr. Engle was a Non-executive Director prior to his appointment as Acting Chief Executive Officer

### Principal Activities

The principal activity of the Group during the period was oil and gas exploration, development and production in the United States. No significant change in the nature of this activity occurred during the period.

On 2 September 2014, the Company announced that it would be directing its future investments towards oil and gas in Western Canada and Australia.

### Presentation Currency

Effective 31 December 2012, the Company changed Molopo's year end from 30 June to 31 December. At that time, the Company also changed its presentation currency from Australian dollars to U.S. dollars to enable reporting in the same currency as the majority of its revenue and expenditures. All amounts included in the directors' report and financial statements of the Group are presented in U.S. dollars, unless otherwise noted.

### Financial Review

The result of the Group for the financial half-year ended 30 June 2014 was an after tax loss of \$4.1 million (30 June 2013: loss of \$46.2 million). No dividend was declared for the period.

Revenue from the sale of oil and gas was \$2.0 million for the half-year ended 30 June 2014 (30 June 2013: nil). During the half-year ended 30 June 2013, cash was received from the production of exploration wells located in West Texas and, in accordance with accounting standards, it was not recorded as revenue; instead it was netted off against the carrying value of the asset, as these properties

## Directors' Report

were still in the evaluation stage.

For the half-year ended 30 June 2014, the gross profit from continuing operations (sales revenue less cost of goods sold) was \$1.2 million (30 June 2013: nil).

### Corporate

On 2 September 2014, the Board appointed Mr. Don Engle as Acting Chief Executive Officer and Mr. Steven Cloutier resigned as Chief Executive Officer and Managing Director. On the same date, the Company announced that it was evaluating the possibility of a return of capital to shareholders in an amount of approximately one-third of the Company's cash reserves, which as at 30 June 2014 were \$60.8 million.

Although Molopo's presentation currency is U.S. dollars, the Company held approximately 32% of its funds in Australian dollars. Between 1 January and 30 June 2014, the Australian dollar strengthened by approximately 6% versus the U.S. dollar which created a positive translation adjustment to cash of approximately \$1.2 million.

As at 30 June 2014, approximately 40% of the remaining funds were held in U.S. dollars, approximately 27% in Canadian dollars and approximately 1% in Rand.

### Legal Disputes

As described in Note 7, the Company was served a statement of claim ("Claim") in March 2011 by a former joint venture partner ("JV Partner") that specified damages of Canadian ("C") \$36 million plus further unquantified damages. Based upon an extensive review of the transactions that gave rise to the Claim, the Company has determined that a provision of C\$8.4 (\$7.9) million is prudent for an amount related to certain lands which were acquired and subsequently sold by the Company that contractually should have been offered to the JV Partner. However, the Company believes that the majority of the Claim is completely without merit and intends to vigorously defend its position.

As described in Note 10, the JV Partner has also served a statement of claim in February 2014 ("Purchaser Claim") naming the purchaser of the Spearfish project ("Purchaser") as a defendant that specified damages of C\$91 (\$85.3) million. The Purchaser has filed a third party claim seeking indemnity from Molopo Energy Canada Ltd. ("MECL") in accordance with the Spearfish project agreements should the JV Partner be successful.

As described in Note 10, the JV Partner has also served a statement of claim in 2013 ("Ex-employee Claim") naming three ex-employees of MECL as defendants that specified damages of C\$67 (\$62.8) million each. Although not named in the lawsuit, MECL may have a duty to indemnify the ex-employees in accordance with the Alberta Business Corporations Act.

The Company believes the Purchaser Claim and the Ex-employee Claim are frivolous and completely without merit. In addition, the Company believes the amounts sought grossly exaggerate any amount that would be awarded in the circumstances as any damages which may be established in any of the multiple lawsuits brought by the JV Partner can only be recovered one time.

The above matters are continuing in the ordinary course with the Court of Queen's Bench of Alberta, Canada. No court dates have been set and the standard preparatory litigation processes are being undertaken.

## **Directors' Report**

### **South Africa**

On 11 April 2014, Molopo closed the sale of its South African assets. The eventual proceeds are dependent upon the ability of the local consortium purchaser to successfully develop the assets, which includes a Production Right granted in November 2012. Molopo will be entitled to receive 36% of the annual distributable profits for ten and one-half years up to a maximum of Rand 50 million (approximately \$4.8 million).

In addition, Molopo received a closing adjustment of Rand 5.2 million (\$0.5 million) as well as the release of a guarantee in the amount of Rand 2.7 million (\$0.3 million).

### **Operational Review**

#### **West Texas, USA**

Molopo currently holds a 100 percent interest (80 percent after project payout) in petroleum and natural gas leases on a total of 7,600 acres at Fiesta, Crockett County, Texas (the "Fiesta Lands"). The Fiesta Lands, situated in the south east quadrant of the Permian Basin, were acquired for the purpose of developing the Wolfcamp formation. The Company has drilled a total of 6 wells on the Fiesta Lands which, for the six month period ended 30 June 2014, produced an average of 231 barrels of oil equivalent per day ("boe/d"). The Company has no plans to drill further wells on the Fiesta Lands.

The Fiesta Lands were part of the value maximisation process undertaken in 2013. As of the date of this Report, Molopo had not received any acceptable proposals, although it continues to be in discussions with third parties. There is no assurance that the Company will enter into any transaction with respect to the Fiesta Lands.

#### **Corporate Production**

For the six month period ended 30 June 2014, the Company's production, which is derived exclusively from six wells at Fiesta, in Crockett County, Texas averaged 231 boe/d, comprised 62% of oil and natural gas liquids and 38% of natural gas.

#### **Performance Share Rights**

During the six months ended 30 June 2014, the Board approved the early vesting of 1,606,117 Performance Share Rights ("PSR") for thirty-two ex-employees who had been designated as a 'good leaver'. The vesting of these PSRs resulted in 1,230,096 of the Company's shares being issued as Canadian employees are subject to income tax withholdings.

PSRs held by a 'good leaver' are not subject to a performance test and would have automatically vested with time.

#### **Rounding of amounts**

The Company is of the kind referred to in ASIC class Order 98/0100, dated 10 July 1998 and in accordance with that Class Order amounts in the Directors Report and the Financial Statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

## Directors' Report

### Auditor's Independence Declaration

The auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out on page 8.

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

On behalf of the Directors



Don Engle  
Director

10 September 2014  
Calgary, Alberta

The Board of Directors  
Molopo Energy Limited  
Level 4, 470 Collins Street  
Melbourne VIC 3000

10 September 2014

Dear Board Members

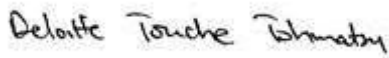
### **Molopo Energy Limited**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Molopo Energy Limited.

As lead audit partner for the audit of the financial statements of Molopo Energy Limited for the half-year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit;  
and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



BJ Pollock  
Partner  
Chartered Accountants



**Condensed Consolidated Statement of Financial Position  
As at 30 June 2014**

		<b>Consolidated</b>	
		<b>30 June</b>	<b>31 December</b>
		<b>2014</b>	<b>2013</b>
	<b>Note</b>	<b>US\$000</b>	<b>US\$000</b>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		<b>60,796</b>	61,917
Trade and other receivables		<b>787</b>	1,231
<b>TOTAL CURRENT ASSETS</b>		<b>61,583</b>	63,148
<b>NON-CURRENT ASSETS</b>			
Plant and equipment		<b>42</b>	55
Oil and gas properties	<b>4</b>	<b>4,307</b>	4,700
<b>TOTAL NON-CURRENT ASSETS</b>		<b>4,349</b>	4,755
<b>TOTAL ASSETS</b>		<b>65,932</b>	67,903
<b>CURRENT LIABILITIES</b>			
Trade and other payables	<b>6</b>	<b>713</b>	5,368
<b>TOTAL CURRENT LIABILITIES</b>		<b>713</b>	5,368
<b>NON-CURRENT LIABILITIES</b>			
Provisions	<b>7</b>	<b>8,148</b>	4,948
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>8,148</b>	4,948
<b>TOTAL LIABILITIES</b>		<b>8,861</b>	10,316
<b>NET ASSETS</b>		<b>57,071</b>	57,587
<b>EQUITY</b>			
Share capital	<b>8</b>	<b>166,386</b>	165,518
Reserves		<b>(60,666)</b>	(63,349)
Retained profits		<b>(48,649)</b>	(44,582)
<b>TOTAL EQUITY</b>		<b>57,071</b>	57,587

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 2014**

	Note	Consolidated	
		Six Months Ended 30 June 2014 US\$000	Six Months Ended 30 June 2013 US\$000
<b>Continuing operations</b>			
Revenue from the sale of gas and oil produced	3	1,983	-
<b>Cost of sales from revenue producing operations</b>			
Operating and transportation costs		(816)	-
<b>Gross profit from continuing operations</b>		<b>1,167</b>	<b>-</b>
Interest and other revenue		227	333
Administration expenses		(523)	(1,333)
Impairment of assets and depletion	4	(455)	(31,309)
Depreciation expense		(12)	(54)
Salary and employee benefits expense		(1,098)	(3,366)
Legal, management and consulting fees		(445)	(693)
Operating lease expense		(82)	(531)
Restoration (finance) costs		(3)	(14)
Share based payments		(268)	(11)
Foreign exchange losses		(2,379)	-
Other expenses		(196)	(162)
<b>LOSS BEFORE INCOME TAX</b>		<b>(4,067)</b>	<b>(37,140)</b>
Income tax benefit from continuing operations		-	-
<b>LOSS FROM CONTINUING OPERATIONS</b>		<b>(4,067)</b>	<b>(37,140)</b>
<b>Discontinued operation</b>			
Loss from discontinued operation net of income tax	5	-	(9,037)
<b>LOSS FOR THE PERIOD</b>		<b>(4,067)</b>	<b>(46,177)</b>
<b>OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX</b>			
Foreign currency translation		3,365	(3,910)
Investment fluctuation reserve		-	(38)
<b>Total other comprehensive income/(loss)</b>		<b>3,365</b>	<b>(3,948)</b>
<b>TOTAL COMPREHENSIVE LOSS</b>		<b>(702)</b>	<b>(50,125)</b>
Basic loss per share (cents per share)		(0.02)	(0.19)
Diluted loss per share (cents per share)		(0.02)	(0.19)
<b>Loss Per Share from continuing operations</b>			
Basic loss per share (cents per share)		(0.02)	(0.15)
Diluted loss per share (cents per share)		(0.02)	(0.15)

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 2014**

	Ordinary shares (US\$000)	Share based payment reserve (US\$000)	Foreign currency translation reserve (US\$000)	Investment fluctuation reserve (US\$000)	Retained profits/ (Accumulated losses) (US\$000)	Total equity (US\$000)
<b>At 1 January 2014</b>	<b>165,518</b>	<b>1,960</b>	<b>(34,228)</b>	<b>(31,081)</b>	<b>(44,582)</b>	<b>57,587</b>
Loss for the period	-	-	-	-	<b>(4,067)</b>	<b>(4,067)</b>
Other comprehensive income/(loss)	-	-	<b>3,365</b>	-	-	<b>3,365</b>
<b>Total comprehensive income/(loss) for the period</b>	-	-	<b>3,365</b>	-	<b>(4,067)</b>	<b>(702)</b>
<b>Transactions with owners in their capacity as owners</b>						
Share based payments	-	<b>268</b>	-	-	-	<b>268</b>
Share based payment transferred in/(out)	<b>868</b>	<b>(950)</b>	-	-	-	<b>(82)</b>
<b>Balance at 30 June 2014</b>	<b>166,386</b>	<b>1,278</b>	<b>(30,863)</b>	<b>(31,081)</b>	<b>(48,649)</b>	<b>57,071</b>
<b>At 1 January 2013</b>	164,942	2,432	(26,900)	(30,831)	10,533	120,176
Loss for the period	-	-	-	-	(46,177)	(46,177)
Other comprehensive income/(loss)	-	-	(3,910)	(38)	-	(3,948)
<b>Total comprehensive income/(loss) for the period</b>	-	-	(3,910)	(38)	(46,177)	(50,125)
<b>Transactions with owners in their capacity as owners</b>						
Share based payments	-	11	-	-	-	11
Share based payment transferred in/(out)	362	(437)	-	-	-	(75)
<b>Balance at 30 June 2013</b>	<b>165,304</b>	<b>2,006</b>	<b>(30,810)</b>	<b>(30,869)</b>	<b>(35,644)</b>	<b>69,987</b>

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 2014**

	<b>Consolidated</b>	
	<b>Six Months Ended 30 June 2014 US\$000</b>	<b>Six Months Ended 30 June 2013 US\$000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	<b>1,858</b>	6,169
Payments to suppliers and employees	<b>(4,513)</b>	(9,837)
Interest received	<b>236</b>	348
Joint venture recovery	<b>-</b>	3,497
Income tax recovered (paid)	<b>20</b>	5,729
<b>NET CASH FROM (USED IN) OPERATING ACTIVITIES</b>	<b>(2,399)</b>	5,906
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sale of plant and equipment	<b>-</b>	48
Payment for exploration, evaluation and oil and gas properties	<b>(395)</b>	(19,518)
Proceeds from disposal of oil and gas properties	<b>472</b>	-
<b>NET CASH FROM (USED IN) INVESTING ACTIVITIES</b>	<b>77</b>	(19,470)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>-</b>	-
<b>NET DECREASE IN CASH HELD</b>	<b>(2,322)</b>	(13,564)
<b>OPENING CASH AND CASH EQUIVALENTS</b>	<b>61,917</b>	70,974
Effect of exchange rate changes	<b>1,201</b>	(2,577)
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	<b>60,796</b>	54,833

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 2014 comprises the Company and its subsidiaries (together referred to as the “Group”).

#### Operations and Principal Activities

The Group’s principal activities during the year continued to be petroleum production and investment in exploration, appraisal, development & production of oil and gas.

#### 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 class Order 98/0100, dated 10 July 1998 and in accordance with that Class Order 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 2013, together with any public announcements made by the Company during the half-year ended 30 June 2014, 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 US 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 2013 audited consolidated financial statements and have been consistently applied to all the periods presented in these financial statements, other than AASB 1031 - Materiality and AASB Interpretation 21 – Levies. 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 except for AASB 9 as disclosed in the consolidated annual financial report as at 31 December 2013.

**3. REVENUE AND OTHER INCOME**

	<b>Consolidated</b>	
	<b>Six Months Ended 30 June 2014 US\$000</b>	<b>Six Months Ended 30 June 2013 US\$000</b>
<b>Revenue from operating activities</b>		
Proceeds from the sale of gas produced <sup>1</sup>	664	-
Proceeds from the sale of oil produced <sup>1</sup>	1,319	-
	<b>1,983</b>	-

1. During the six months ended 30 June 2013, net production revenue (production revenue less royalties and operating costs), of \$2.8 million was applied against exploration and evaluation expenditures as the properties in Texas were still in the evaluation stage.

**4. OIL AND GAS PROPERTIES**

	<b>Consolidated</b>	
	<b>30 June 2014 US\$000</b>	<b>31 December 2013 US\$000</b>
Cost	7,405	7,343
Accumulated depletion and impairment	<b>(3,098)</b>	<b>(2,643)</b>
	<b>4,307</b>	4,700
Carrying amount at beginning of period	4,700	8,099
Assets transferred from exploration and evaluation <sup>1</sup>	-	11,259
Net additions/(disposals)	72	(13,356)
Depletion charge	<b>(455)</b>	(1,486)
Net exchange difference	<b>(10)</b>	184
Carrying amount at end of period	<b>4,307</b>	4,700

1. For the six months ended 30 June 2013, the Company recorded an impairment charge of \$31.3 million to its exploration and evaluation assets related to its Wolfcamp shale oil play located in west Texas. The exploration and evaluation assets were reclassified to oil and gas properties in the second half of 2013. The impairment charge was the result of an updated evaluation of the Company's undeveloped acreage that indicated a deterioration in the per acre values since the prior reporting period.

## 5. DISCONTINUED OPERATIONS

On 20 November 2013, the Company sold its assets located in Saskatchewan, Canada and effective 1 July 2012 is presented as a discontinued operation.

	<b>Consolidated</b>	
	<b>Six Months Ended 30 June 2014 US\$000</b>	<b>Six Months Ended 30 June 2013 US\$000</b>
<b>Results of discontinued operation</b>		
Revenue	-	1,285
Expenses	-	(490)
Depletion	-	(558)
Impairment expense <sup>1</sup>	-	(9,274)
	-	(9,037)

1. For the six months ended 30 June 2013, the Company recorded an impairment charge of \$9.3 million to its exploration and evaluation assets related to its Bakken unconventional oil play located in south east Saskatchewan. The impairment charge was the result of an updated evaluation of the Company's undeveloped acreage that indicated a deterioration in the per acre values since the prior reporting period.

## 6. TRADE AND OTHER PAYABLES

	<b>Consolidated</b>	
	<b>30 June 2014 US\$000</b>	<b>31 December 2013 US\$000</b>
Trade creditors	<b>180</b>	405
Other creditors & accruals	<b>533</b>	1,765
Provision for legal claim (Note 7)	-	3,153
GST & withholding tax payable	-	45
	<b>713</b>	5,368

Terms & Conditions:

Trade creditors are non-interest bearing and are normally settled on 30 day terms.

## 7. PROVISIONS

	<b>Consolidated</b>	
	<b>30 June 2014 US\$000</b>	<b>31 December 2013 US\$000</b>
<b>NON-CURRENT</b>		
Provision for legal claim	<b>7,872</b>	4,674
Provision for restoration	<b>276</b>	274
	<b>8,148</b>	4,948

### 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 (\$33.7) 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 amounts in dispute. This examination revealed that an amount was likely owing to the JV Partner for certain exploration lands that were acquired and subsequently sold by the Company that contractually should have been offered to the JV Partner. As a result, a provision was reflected in the accounts.

The original provision reflected in the accounts in 2012 was a net C\$5.0 (\$4.7) million. In early 2013, the JV Partner essentially settled the counterclaim by making a payment of C\$3.4 (\$3.2) million to the Company, which increased the net provision to C\$8.4 (\$7.9) million.

During 2013, the Company specifically disclosed C\$5.0 (\$4.7) million of the C\$8.4 (\$7.9) million reflected in the accounts as negotiations were in progress with the JV Partner. These negotiations have been unsuccessful and it appears that a lengthy litigation process is probable.

The matter is continuing in the ordinary course with the Court. No court date has yet been set and the standard preparatory litigation processes are being undertaken.

## 8. SHARE CAPITAL

	<b>Consolidated</b>	
	<b>30 June 2014 US\$000</b>	<b>31 December 2013 US\$000</b>
<b>(a) Issued and paid-up capital</b>		
Ordinary shares fully paid	<b>166,386</b>	165,518
<b>(b) Movements in shares on issue</b>		
Balance at beginning of period	<b>165,518</b>	164,942
Performance Share Rights ("PSR") vested and issued	<b>868</b>	576
	<b>166,386</b>	165,518
<b>(c) Share Capital Movement (Number of Shares)</b>		
On Issue at beginning of period	<b>246,724,091</b>	245,849,711
PSRs vested and issued	<b>1,796,858</b>	874,380
On Issue at end of period	<b>248,520,949</b>	246,724,091



## 9. SEGMENT INFORMATION

### Identification of reportable segments

The predominant activity of the Group is petroleum exploration, appraisal, development and production. Geographically, the Group operates in two countries. The head office and management activities of the Group take place predominantly in Canada. Exploration, appraisal, development and production activities for petroleum predominantly take place in Canada and the USA.

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

Six months ended 30 June 2014	Australia US\$000	Canada US\$000	USA US\$000	South Africa US\$000	Total US\$000
External revenues	-	-	1,983	-	1,983
Reportable segment loss after tax	(2,650)	(1,990)	573	-	(4,067)
Reportable segment assets	59,045	1,134	5,753	-	65,932

### Six months ended 30 June 2013

External revenues	-	1,285	-	-	1,285
Reportable segment loss after tax	(986)	(13,195)	(31,713)	(283)	(46,177)
Reportable segment assets <sup>1</sup>	53,647	3,731	10,525	-	67,903

### Other material non-cash items

Impairment	-	(9,274)	(31,309)	-	(40,583)
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1. As at 31 December 2013

## 10. CONTINGENCIES AND COMMITMENTS

As indicated in Note 7, in March 2011, MECL was served with a Claim in the amount of C\$36 (\$33.7) million by a JV Partner in the Spearfish project that was sold in March 2011 and the Company has recognized a provision in the amount of C\$8.4 (\$7.9) million for the exploration lands that were acquired and subsequently sold by the Company that contractually should have been offered to the JV Partner.

On 12 March 2013, the Company became aware that the JV Partner had filed a statement of claim ("Purchaser Claim") in the Court naming the purchaser of the Spearfish project ("Purchaser") as a defendant and on 24 February 2014, the Company became aware that the Purchaser Claim had been served on the Purchaser. The Purchaser Claim seeks several forms of relief, including punitive and aggravated damages of C\$1.0 (\$0.9) million and general damages of C\$90.0 (\$84.4) million. The Purchaser has filed a third party claim seeking indemnity from MECL should the JV Partner be successful in the ultimate outcome of the Purchaser Claim, in accordance with various agreements related to the sale of the Spearfish project.

The JV Partner alleges, in both the Claim and the Purchaser Claim, that the Company improperly placed the JV Partner in default in early 2011 for non-payment of amounts it owed MECL. The Company's extensive examination of the transactions that gave rise to this portion of the Claim and Purchaser Claim indicates that the Company actions were fully in accordance with the governing agreements.

During 2013, the Company became aware that the JV Partner had also served a statement of claim ("Ex-employee Claim") in the Court naming three ex-employees of MECL as defendants. The Ex-employee Claim seeks several forms of relief, including general and punitive damages of C\$67.0 (\$62.8) million each. Although not named in the lawsuit, MECL may have a duty to indemnify in accordance with the Alberta Business Corporations Act unless it is determined that the ex-employees did not act honestly and in good faith. The Company has engaged its directors' and officers' insurers and has secured legal counsel for the ex-employees as it believes this claim is without merit and will assist the ex-employees to vigorously defend the action.

In addition to the Company believing that Purchaser Claim and Ex-employee Claim are frivolous as the amounts sought grossly exaggerate any amount that would be awarded in the circumstances, if damages are established in any of the multiple lawsuits brought by the JV Partner, such damages can only be recovered one time.

The above matters are continuing in the ordinary course with the Court. No court dates have been set and the standard preparatory litigation processes are being undertaken.

### **Spearfish Farm-in Lawsuit**

On 4 February 2014, MECL along with the purchaser of the Spearfish project, were served with a statement of claim in the amount of C\$6.0 (\$5.6) million by a company that had participated in a 2009 farm-in agreement with a MECL predecessor company for the drilling of three test wells into an area that was in the Spearfish project ("Farm-in Claim").

The Company believes that the Farm-in Claim is without merit and intends to vigorously defend the statement of claim.

## 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 2014 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



Director

10 September 2014  
Calgary, Alberta

# 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 condensed consolidated statement of financial position as at 30 June 2014, and the condensed consolidated statement of profit or loss and other comprehensive income statement, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 9 to 19.

### *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 gives a true and fair view and 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 2014 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.

# Deloitte.

## *Auditor's Independence Declaration*

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 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

*Deloitte Touche Tohmatsu*

DELOITTE TOUCHE TOHMATSU

*BJ Pollock*

BJ Pollock  
Partner  
Chartered Accountants  
Melbourne, 10 September 2014