



MOLOPO ENERGY LIMITED

A.B.N. 79 003 152 154

INTERIM FINANCIAL REPORT

For the half-year ended 30 June 2015

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Corporate Directory

Directors

S. Tough (Independent Chairman)
A. Sormann (Non-Executive Director)
S. Belzberg (Non-Executive Director)
Y. Stern (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 2015.

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
David Sanders	Non-executive Director (resigned 27 August 2015)
Samuel Belzberg	Non-executive Director (appointed 31 July 2015)
Yaniv Stern	Non-executive Director (appointed 27 August 2015)

Principal Activities

The Group's principal activities during the half year were selling the Fiesta asset in Texas, which was the last remaining petroleum production and exploration asset within the Group; and closing down the office operations in Canada and transferring back to Australia. The Company also had a completely new Board of Directors, who undertook a review of all the litigation matters currently outstanding against the various entities within the Group.

Financial Review

The result of the Group for the financial half-year ended 30 June 2015 was an after tax loss of \$0.6 million (30 June 2014: loss of \$4.4 million). No dividend was declared for the period.

Revenue from the sale of oil and gas from the Fiesta asset before it was sold in February 2015 was \$0.3 million for the half-year ended 30 June 2015 (30 June 2014: \$2.2 million).

Corporate

On 13 February 2015, the sale of the Fiesta assets located in Crockett County, Texas was completed for proceeds of US\$1.0 million (A\$1.3 million).

On 23 February 2015 the Board did not extend the contract of Mr. Don Engle as Acting Chief Executive Officer ("CEO"). As at the date of this report, the Board has elected not to appoint a Chief Executive Officer. However they will revisit this decision when appropriate.

The Company completed the process of transitioning the corporate headquarters from Calgary, Canada to Melbourne, Australia during the second quarter of 2015.

The Company notes that it has made cash payments relating to administration, employee and legal expenses of approximately \$1.49m during the period, much of which related to costs incurred or agreed to by the previous Board, but which were not billed or paid until after the end of the previous year.

Directors' Report

At the end of the period, Molopo had cash in the bank of \$67.8 million, 86% of the cash was held in Australian dollars and 14% in Canadian dollars. The Canadian dollars are retained as an offset to the provision for the litigation which sits in a Canadian subsidiary.

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.

The current status of the legal actions is summarised as follows:

1. One of MECL's former joint venture partners (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 (A\$36.8) million general damages, C\$1 (A\$1.1) million punitive and aggravated damages, interest, GST and indemnity costs.

Molopo itself is not a party to these proceedings.

Whilst the litigation commenced in 2011 it is still at an early stage and the matter is not likely to proceed to trial until 2016 at the earliest.

The Group has made a C\$8.4 (A\$8.8) million provision in these financial statements in relation to this litigation (see Note 6 of the financial statements).

2. 310 ULC also 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 (A\$94.9) million general damages, C\$1 (A\$1.1) 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.

This litigation is also at an early stage and MECL and Molopo have not yet been required to file defences to the third party claim.

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

3. 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 has sought against each employee special damages, C\$65 (A\$68.5) million general damages, C\$2 (A\$2.1) million punitive damages, interest, GST and indemnity costs. Molopo's D&O insurers have been notified of the claim and are paying the legal expenses of the former employees. Neither Molopo nor MECL are parties to these proceedings.

4. 310 ULC commenced legal action against Molopo in December 2014 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. 310 ULC unsuccessfully sought an injunction against Molopo in December 2014 in these proceedings to restrict

Directors' Report

Molopo dealing with its assets.

Molopo's view is that the proceedings are without merit and accordingly Molopo intends to seek to have the proceedings summarily dismissed.

5. Another of MECL's former joint venture partners (Shallow Gas Drilling Corp. ("Shallow Gas")) commenced legal action in 2014 against MECL and Legacy claiming that MECL and Legacy breached the joint venture agreement with Shallow Gas in relation to the drilling of test wells. Shallow Gas also made related claims of negligence and breach of fiduciary duties, and an alternate unjust enrichment claim. Shallow Gas sought, jointly and severally against MECL and Legacy, C\$6 (A\$6.3) million damages, special damages, accounting, C\$1.05 (A\$1.1) million restitution, specific performance declarations and interest. These proceedings were summarily dismissed on 26 September 2014 at Legacy's instigation. Shallow Gas has appealed and a decision has yet to be issued. Molopo is not a party to these proceedings.

Performance Share Rights

During the six months ended 30 June 2015, the Board approved the early vesting of all outstanding Performance Share Rights ("PSR") for two ex-employees who had been designated as a 'good leaver'. Based on the Equity Incentive Plan previously put in place by the former Board of Directors, these PSRs that were held by a 'good leaver' were not subject to any ongoing performance tests and would have automatically vested with time. The current Board determined that it was appropriate to vest all remaining PSRs to ensure that no further expense relating to former employees will need to be accounted for in future periods. The Equity Incentive Plan was cancelled effective 8 August 2015 when the last employee who was eligible ceased employment with the Company.

The vesting of these PSRs resulted in 171,250 of the Company's shares being issued and 511,392 of the Company's shares were acquired on-market as required under the executive share plan.

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.

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*.

Directors' Report

On behalf of the Directors



Antony Sormann
Non-executive Director

28 August 2015

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 2015, 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, 28 August 2015

**Condensed Consolidated Statement of Financial Position
As at 30 June 2015**

		Consolidated	
		30 June	31 December
		2015	2014
	Note	A\$000	A\$000
CURRENT ASSETS			
Cash and cash equivalents		67,826	67,385
Trade and other receivables		264	410
Assets held for sale	4	-	1,611
TOTAL CURRENT ASSETS		68,090	69,406
TOTAL ASSETS			
		68,090	69,406
CURRENT LIABILITIES			
Trade and other payables	5	241	991
Liabilities associated with non-financial assets held for sale	4	-	343
TOTAL CURRENT LIABILITIES		241	1,334
NON-CURRENT LIABILITIES			
Provisions	6	8,847	8,824
TOTAL NON-CURRENT LIABILITIES		8,847	8,824
TOTAL LIABILITIES			
		9,088	10,158
NET ASSETS			
		59,002	59,248
EQUITY			
Share capital	7	158,220	157,271
Reserves		(42,566)	(41,950)
Accumulated losses		(56,652)	(56,073)
TOTAL EQUITY		59,002	59,248

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 2015

	Note	Consolidated	
		Six Months Ended 30 June 2015 A\$000	Six Months Ended 30 June 2014 A\$000
Continuing operations			
Revenue from the sale of gas and oil produced		-	-
Cost of sales from revenue producing operations			
Operating and transportation costs		-	-
Gross profit from continuing operations		-	-
Interest and other revenue		586	248
Administration expenses		(130)	(580)
Impairment of assets and depletion		-	(498)
Depreciation expense		-	(14)
Salary and employee benefits expense		(452)	(1,200)
Legal, management and consulting fees		(472)	(479)
Operating lease expense		(57)	(90)
Restoration (finance) costs		-	(3)
Share based payments		(273)	(293)
Foreign exchange gains (losses)		349	(2,602)
Other expenses		-	(214)
LOSS BEFORE INCOME TAX		(449)	(5,725)
Income tax expense from continuing operations		(39)	-
LOSS FROM CONTINUING OPERATIONS		(488)	(5,725)
Discontinued operation			
(Loss)/Profit from discontinued operation net of income tax	3	(90)	1,277
LOSS FOR THE PERIOD		(578)	(4,448)
OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX			
Foreign currency translation		59	(36)
Total other comprehensive income/(loss)		59	(36)
TOTAL COMPREHENSIVE LOSS		(519)	(4,484)
Total comprehensive loss for the half-year attributable to:			
Continuing operations		(488)	(5,725)
Discontinuing operations		(90)	1,277

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 2015

	Consolidated	
	Six Months Ended 30 June 2015	Six Months Ended 30 June 2014
<hr/>		
Earnings per share for loss from continuing operations attributable to the owners of Molopo Energy Limited:		
Basic loss per share (cents per share)	(0.00)	(0.00)
Diluted loss per share (cents per share)	(0.00)	(0.00)
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)	(0.00)
Diluted loss per share (cents per share)	(0.00)	(0.00)
Earnings per share for loss attributable to the owners of Molopo Energy Limited:		
Basic loss per share (cents per share)	(0.00)	(0.02)
Diluted loss per share (cents per share)	(0.00)	(0.02)

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 2015**

	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 2015	157,271	1,433	(14,030)	(29,353)	(56,073)	59,248
Loss for the period	-	-	-	-	(578)	(578)
Other comprehensive income/(loss)	-	-	59	-	-	59
Total comprehensive income/(loss) for the period	-	-	59	-	(578)	(519)
Transactions with owners 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)	(56,652)	59,002
At 1 January 2014	156,322	1,792	(13,999)	(29,353)	(49,862)	64,900
Loss for the period	-	-	-	-	(4,448)	(4,448)
Other comprehensive income/(loss)	-	-	(36)	-	-	(36)
Total comprehensive income/(loss) for the period	-	-	(36)	-	(4,448)	(4,484)
Transactions with owners in their capacity as owners						
Share based payments	-	293	-	-	-	293
Share based payment transferred in/(out)	949	(1,039)	-	-	-	(90)
Balance at 30 June 2014	157,271	1,046	(14,035)	(29,353)	(54,310)	60,619

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 2015**

	Consolidated	
	Six Months Ended 30 June 2015 A\$000	Six Months Ended 30 June 2014 A\$000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	446	2,032
Payments to suppliers and employees	(2,122)	(4,936)
Interest received	361	258
Income tax recovered	-	22
NET CASH USED IN OPERATING ACTIVITIES	(1,315)	(2,624)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for exploration, evaluation and oil and gas properties	-	(432)
Proceeds from disposal of oil and gas properties	1,258	516
NET CASH FROM INVESTING ACTIVITIES	1,258	84
CASH FLOW FROM FINANCING ACTIVITIES		
Payment for share buyback	(69)	-
NET CASH (USED IN) FINANCING ACTIVITIES	(69)	-
NET DECREASE IN CASH HELD	(126)	(2,540)
OPENING CASH AND CASH EQUIVALENTS	67,385	68,435
Effect of exchange rate changes	567	(1,349)
CLOSING CASH AND CASH EQUIVALENTS	67,826	64,546

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 2015 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 selling the last remaining petroleum production and exploration asset within the Group and closing down the office operations in Canada and transferring them back to Australia. The Company also undertook a further review of the litigation against various entities within the Group

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 2014, together with any public announcements made by the Company during the half-year ended 30 June 2015 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 2014 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 except for AASB 9 adopted on 1 July 2010.

3. DISCONTINUED OPERATIONS

	Consolidated	
	Six Months Ended 30 June 2015 A\$000	Six Months Ended 30 June 2014 A\$000
Results of discontinued operation		
Revenue		
- Proceeds from the sale of gas produced	200	727
- Proceeds from the sale of oil produced	82	1,442
	<u>282</u>	<u>2,169</u>
Expenses	<u>(360)</u>	<u>(892)</u>
(Loss)/Profit from discontinued activities before tax	<u>(78)</u>	<u>1,277</u>
Income tax benefit	-	-
(Loss)/Profit from discontinued activities, net of tax	<u>(78)</u>	<u>1,277</u>
Loss on sale of discontinued operation	(12)	-
Income tax on loss on sale of discontinued operation	-	-
(Loss)/Profit for the period from discontinued operations	<u>(90)</u>	<u>1,277</u>
Cash flows used in discontinued operations		
Net cash used in operating activities	(185)	(7)
Net cash used in investing activities	-	-
Net cash used in financing activities	-	-
Net cash flows for the period	<u>(185)</u>	<u>(7)</u>
	2015 A\$000	
Carrying amount of assets and liabilities disposed of		
Trade and other receivables	33	
Property, plant and equipment	-	
Trade and other payables	(26)	
Net assets and liabilities	<u>7</u>	
Details of the disposal		
Consideration received	1,302	
Cash and cash equivalents disposed of	-	
Net cash inflow	<u>1,302</u>	

4. ASSETS HELD FOR SALE

On 13 February 2015, the Company completed the sale of its Fiesta Assets located in West Texas for \$1.3 million.

	Consolidated	
	30 June 2015 A\$000	31 December 2014 A\$000
Assets held for sale		
Oil and gas properties	-	4,726
Impairment expense	-	(3,115)
	<u>-</u>	<u>1,611</u>
Liabilities associated non financial assets held for sale		
Provision for restoration	-	343
	<u>-</u>	<u>343</u>
Sales proceeds	1,302	-
Net carrying value	(1,268)	-
Net exchange difference	(46)	-
Loss on sale	(12)	-

For the year ended 31 December 2014, the Company recorded an impairment charge of \$3.1 million to reduce the net carrying value of the Fiesta assets from \$4.4 million to the anticipated sale price of \$1.3 million.

5. TRADE AND OTHER PAYABLES

	Consolidated	
	30 June 2015 A\$000	31 December 2014 A\$000
Trade creditors	-	208
Other creditors & accruals	241	783
	<u>241</u>	<u>991</u>

6. PROVISIONS

	Consolidated	
	30 June	31 December
	2015	2014
	A\$000	A\$000
NON-CURRENT		
Provision for legal claim	8,847	8,824
	8,847	8,824

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 (A\$37.9) 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 should an amount be found to be owing to the JV Partner for certain exploration lands that were acquired and subsequently sold by the Company, a provision was reflected in the accounts to estimate the value of the lands that would have been offered to the JV Partner should they have been in compliance with their obligations under the JV agreements.

The original provision reflected in the accounts in 2012 was a net C\$5.0 (A\$5.3) million. In early 2013, the JV Partner essentially settled the counterclaim by making a payment of C\$3.4 (A\$3.6) million to the Company, at which time the Company increased the net provision to C\$8.4 (A\$8.6) million.

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.

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

7. SHARE CAPITAL

	Consolidated	
	30 June 2015 A\$000	31 December 2014 A\$000
(a) Issued and paid-up capital		
Ordinary shares fully paid	158,220	157,271
(b) Movements in shares on issue		
Balance at beginning of period	157,271	156,322
Performance Share Rights ("PSR") vested and issued	949	949
	158,220	157,271
(c) Share Capital Movement (Number of Shares)		
	No.	No.
On Issue at beginning of period	248,705,730	246,724,091
PSRs vested and issued	334,918	1,981,639
On Issue at end of period	249,040,648	248,705,730

8. SEGMENT INFORMATION
Identification of reportable segments

The Group's principal activities during the half year were selling the Fiesta asset in Texas, USA, which was the last remaining petroleum production and exploration asset within the Group; and closing down operations in Canada and transferring back to Australia. Head office and management activities of the Group operate predominantly in Australia.

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 2015				
External revenues	-	-	282	282
Reportable segment profit (loss) after tax	373	(882)	(40)	(549)
Reportable segment assets	59,175	8,643	223	68,041
Six months ended 30 June 2014				
External revenues	-	-	2,169	2,169
Reportable segment profit (loss) after tax	(2,899)	(2,177)	627	(4,449)
Reportable segment assets	62,703	1,201	6,095	69,999

9. CONTINGENCIES AND COMMITMENTS

As indicated in Note 6, 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 (A\$8.8) million as a value for the exploration lands that are the subject of the dispute.

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 (A\$1.1) million and general damages of C\$90.0 (A\$94.9) 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 (A\$70.6) 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 both the Purchaser Claim and the 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 (A\$6.3) 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 Farm-in Claim was dismissed on 26 September 2014 however the claimant has appealed with a decision yet to be issued.

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

Claim against Molopo Energy Limited

In December 2014, the Company 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 intends to 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 2015 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,



Antony Sormann
Non-executive Director

28 August 2015

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 2015, 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 2015 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 2015 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 version of the BDO logo, with the letters 'BDO' in a cursive, black ink style.A handwritten signature in black ink, which appears to read 'James Mooney'.

James Mooney
Partner

Melbourne, 28 August 2015