



MOLOPO ENERGY LIMITED

A.B.N. 79 003 152 154

ANNUAL REPORT

For the year ended 31 December 2015



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MOLOPO ENERGY LIMITED

ABN 79 003 152 154

31 March 2016

Dear Shareholders,

During the financial year, the Board of Molopo concentrated on 3 areas of activity in the Company.

The first was to "clean" the Company of expensive and unwarranted incentive schemes, executives and ensure all financials of each entity in the group are up to date.

Most of this has been achieved with some small outstanding financial matters in some of the subsidiaries still under review but the amounts involved are not material.

The second activity was a focus on the litigation. As advised during the year, the litigation was centralised to the Board for both understanding and management. Bennett and Jones in Canada retain carriage of the litigation with keen oversight from the Board and an Australian legal firm.

The Board approved two trips to Canada to meet with the various parties involved in the litigation and negotiate an effective settlement. Unfortunately, the Plaintiff feels aggrieved by the previous regime in Molopo and wants to be heard.

Near term settlement of the litigation remains unlikely and the Board has now instructed the legal team to do whatever is necessary to bring the matter to Court.

The third activity is the pursuit of investment opportunities for the cash asset in the Company.

Registered Office
Level 2,470 Collins Street, Melbourne, Vic. 3000, Australia
PO Box 255, Seddon, Vic. 3011, Australia

Telephone: (61 3) 9867 7199 Facsimile: (61 3) 9867 8587
Website: www.molopo.com.au Email: investorrelations@molopo.com.au

Given the litigation and its impediment to returning capital to shareholders until fully resolved, the Board obtained advice from Nigel Cotram SC which supports an obligation to apply the assets of Molopo to a value accretive investment if one can be identified.

Providing the investment in the first instance preserves Net Asset Value, the Board may consider an appropriate investment.

The Board appointed Brent Bonadeo, an experienced and respected investment banker with a solid knowledge of the oil and gas sector to review opportunities.

During the financial year, the Board had reviewed approx. 30 oil and gas opportunities and this process has continued into the new financial year.

Any major investment transaction is likely to require shareholder approval.

Yours sincerely,

Samantha Tough
Chairman

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Molopo Energy Limited

Corporate Directory

Directors

S. Tough (Independent Interim 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

Canadian Office

Suite 2000,
500 4th Ave. SW,
Calgary, AB T2P 2V6
Canada
Telephone: (403)264-9778
Facsimile: (403)264-9903

Website

www.molopoenergy.com

Auditor

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

Bankers

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

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

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, Victoria, 3000
Australia

(ASX code: MPO)

Molopo Energy Limited

Directors' Report

Your Directors present their report (the "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 year ended 31 December 2015.

Directors

The names of the Directors in office at any time during the 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

Director Information

Samantha Tough

Independent Interim Chairman, Non-Executive Director

Ms. Tough is an independent Director with extensive experience as a Company Director and Chairman of public companies. Ms Tough has considerable experience in the oil and gas sectors including four years as General Manager of the North West Shelf Project. Her executive experience also spans roles as Senior Vice President, Strategic Counsel Natural Resources for Commonwealth Bank of Australia (ASX: CBA), Project Director of the Pilbara Power Project and Director Strategy of Hardman Resources Limited. (ASX: HDR)

Ms. Tough is currently Chairman of Aerison Pty Ltd (mining and oil and gas services) and a Director of Synergy (WA's largest gas and electricity provider) and a number of listed companies, Saracen Mineral Holdings Limited (ASX: SAR), Strike Resources Limited (ASX: SRK), Cape Plc. (LSE: CIU) (with effect from 1 January 2015) and Deputy Chairman of the Western Australian Academy of Performing Arts.

Antony Sormann

Non-Executive Director

Mr. Sormann is an executive Director of Keybridge Capital Limited and joined the Molopo Board as its representative. Mr. Sormann has over 18 years' experience in investment banking including nine years as a Director of SLM Corporate and six years working in the investment banking division of NM Rothschild & Sons (Australia) Limited of which two years were as an executive in the Rothschild Group's New York office.

He holds bachelor degrees in law and economics from Monash University and a Graduate Diploma of Applied Finance and Investments from the Securities Institute of Australia.

Molopo Energy Limited

Directors' Report (continued)

Director Information (continued)

David Sanders

Non-Executive Director

Mr. Sanders acted as a representative of Molopo's former substantial shareholder, Bentley Capital Limited. He resigned in August 2015 following the sale by Bentley of its shares in Molopo to Ion Limited.

Mr. Sanders is a principal of the corporate and commercial law firm of Bennett and Co and has extensive experience in corporate and resources law. He holds bachelor degrees in law and commerce from the University of Western Australia and a Graduate Diploma of Applied Finance and Investments from the Securities Institute of Australia. Mr. Sanders advises numerous ASX listed companies and private companies on capital raising, mergers and acquisitions, Corporations Act and ASX Listing Rules compliance and corporate governance. He is a Non-Executive Director of Marenica Energy Ltd, Tungsten Mining NL and Quickflix Ltd and Chairman of Murlpirmarra Connection Ltd.

Samuel Belzberg

Non-Executive Director

In July 2015, Mr. Belzberg joined the Board as the representative of Molopo's substantial shareholder, Gibralt Capital Corporation. Mr Belzberg has extensive international experience in real estate and finance over 5 decades. He serves on various Boards, including Second City Capital Partners, Second City Capital Partners Fund I. L. P. and NYSE listed City Office Reit, Inc.

In 1989 Mr Belzberg was awarded the Order of Canada and in 2002 he was promoted to Officer of the Order of Canada. Mr. Belzberg holds a bachelor degree in commerce from the University of Alberta.

Yaniv Stern

Non-Executive Director

In August 2015, Mr. Stern joined the Board at the request of a substantial shareholder, Ion Limited. He is a Managing Partner at Red Dot Capital Partners (Israel) and is the executive chairman of Eccentex (USA), a software company. Mr. Stern has extensive international experience in strategic advisory predominantly working with private equity and institutional investors on investment strategy, deal evaluation and portfolio management.

He holds a bachelor degree in Computer Engineering from the Technion - Israel Institute of Technology, and an MBA from Harvard Business School.

Company Secretary

Mr. Andrew Metcalfe was re-appointed Company Secretary on 15 April 2013. He is a qualified accountant, experienced company secretary and governance advisor.

Mr. Metcalfe is a Fellow of the Governance Institute of Australia (formerly Chartered Secretaries Australia) and a Member of the Australian Institute of Company Directors. Mr. Metcalfe provides company secretarial services and advises on corporate governance matters for a number of ASX listed, public and private companies and not for profit organisations. Mr. Metcalfe manages the regulatory function of Molopo in Australia. He was Company Secretary and CFO for Molopo between 1997 and 2005.

Molopo Energy Limited

Directors' Report (continued)

Dividends

The Directors do not propose to pay a dividend in respect of the current year (Year ended 31 December 2014: \$ Nil).

Principal Activities

The Group's principal activities during the 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.

Significant Changes in State of Affairs

Financial Review

The net result attributable to the Group, after income tax expense, for the year ended 31 December 2015 was a profit of A\$457,000 (year ended 31 December 2014: Loss A\$6.21 million). The profit arose from a \$1.134 million write-back of the value of Performance Share Rights issued by the Company in prior reporting periods, which were cancelled in the current reporting period as vesting conditions were not met, that has been accounted for in the statement of profit or loss. As at 31 December 2015, the Group's net asset position was A\$58.84 million (31 December 2014: A\$59.25 million), and cash reserves were A\$67.26 million (31 December 2014: A\$67.39 million). Profit / (Loss), Earnings per share ("EPS"), dividends and the share price at 31 December and the last four reporting periods is summarised below:

	Year ended 31 December			6 months ended 31 December	Year ended 30 June
	2015	2014	2013	2012	2012
Net Profit/(Loss) after Income Tax (A\$'000)	457	(6,211)	(56,950)	(61,754)	(63,659)
Basic Earnings/(Loss) per share (A\$)	0.00	(0.03)	(0.23)	(0.25)	(0.26)
Diluted Earnings/(Loss) per share (A\$)	0.00	(0.03)	(0.23)	(0.25)	(0.26)
Dividend per share (A\$)	0.00	0.00	0.00	0.00	0.00
Share price at 30 June*	0.15	0.19	0.25	0.55	0.55
Share price at 31 December*	0.145	0.18	0.18	0.28	0.28

*Share price is in Australian dollars

No dividends were declared for the period. Revenue from the sale of oil and gas from the Fiesta asset before it was sold in February 2015 was \$0.28 million for the year ended 31 December 2015 (31 December 2014: \$3.49 million).

Business strategies and prospects for future financial years

The Group's business strategies and future developments are principally to address the litigation matters reported under Legal Disputes and review options available to the company with respect to utilisation of its available cash reserves.

Molopo Energy Limited

Directors' Report (continued)

Corporate

As at the beginning of the financial year the Group's sole employee was the Chief Financial Officer. The remaining staffing requirements, including the Chief Executive Officer role, were and continue to be performed by contractors on an as required basis.

On 13 February 2015, the sale of the Fiesta assets located in Crockett County, Texas was completed for proceeds of US\$1.00 million (A\$1.30 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. They will revisit the 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.

At the end of the period, the Group had cash in the bank of \$67.26 million, 87% was held in Australian dollars, 12% in Canadian dollars and 1% in US dollars. The Canadian dollars are retained as an offset to the provision for the litigation which sits in a Canadian subsidiary.

Legal Disputes

The Company continued to manage the progress 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.

1. During the reporting period and up to the date of this report, the Molopo Board has centralised management of the litigation at Board level. Most of the legal work is undertaken by Bennett and Jones in Canada overseen by lawyers and the Board in Australia.

The Board has been active in endeavouring to find a way to resolve the litigation. It has twice been to Canada to meet with the relevant parties and offered settlement terms.

None of these efforts have been successful. Despite the legal advice to Molopo and conversations with Legacy (now Crescent Point), the Company remains unable to reach any agreement with the Plaintiff to resolve the matter.

With near term resolution of the litigation looking unlikely, Molopo has instructed its legal team to do what is required to bring the matter to court as soon as possible.

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

2. 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\$35.0 (A\$34.5) million general damages, C\$1.0 (A\$1.0) million punitive and aggravated damages, interest, GST and indemnity costs.

Molopo Energy Limited

Directors' Report (continued)

Legal Disputes (continued)

The Group has made a C\$8.4 (A\$8.3) million provision in these financial statements in relation to this litigation (see Note 14 of the financial statements). Molopo Energy Limited, as parent company, is not a party to these proceedings.

Whilst the litigation commenced in 2011, it is still at an early stage and 310 ULC has not progressed the litigation for nearly 2 years.

- 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\$90.0 (A\$88.8) 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.

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.

- 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\$65.0 (A\$64.1) million general damages, C\$2.0 (A\$2.0) 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.
- 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 Molopo dealing with its assets.

Molopo's view is that the proceedings are without merit and accordingly Molopo is in the process of preparing an application to have the proceedings summarily dismissed.

- 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\$6.0 (A\$5.9) million damages, special damages, accounting, C\$1.0 (A\$1.0) million restitution, specific performance declarations and interest. These proceedings were summarily dismissed in September 2014 at Legacy's instigation. Shallow Gas appealed against that decision in 2015, however were unsuccessful and accordingly the proceedings are at an end.

Molopo Energy Limited

Directors' Report (continued)

Health, Safety and Environment

The Company expects excellence in health, safety and environmental performance and is committed to conducting all operations in a safe manner which minimises environmental impact, while meeting regulatory requirements and corporate standards. There have been no significant environmental spills, releases or incidents with any material financial impact, no legal actions due to any environmental or safety events or incidents and no known material environmental contamination associated with historical practices or operations. The Group does not anticipate making material expenditures for environmental compliance during 2016.

Subsequent Events

No matter or circumstance has arisen since 31 December 2015 that has significantly affected or may significantly affect the consolidated entity's operations, the result of those operations or the consolidated entity's state of affairs in future financial periods.

Share Options

Unissued shares

As at 31 December 2015, there were no unissued ordinary shares under options (Nil as at 31 December 2014).

Shares issued as a result of the exercise of options

During the period, employees and executives did not exercise any options to acquire shares in Molopo.

Performance Share Rights

The Board approves the offering of performance share rights and performance rights to employees and executives in accordance with the rules of the Company's Employee Incentive Scheme. Each Performance Share Right ("PSR") entitles the holder to one ordinary share upon the satisfaction of specified performance criteria. Each Performance Right ("PR") entitles the holder to up to 100 ordinary shares upon the satisfaction of specified performance criteria. PSR and PR holders do not have any right, by virtue of the performance share right, to participate in any share issue of Molopo or any related body corporate.

During the year ended 31 December 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 vesting of these PSRs resulted in 334,918 of the Company's shares being issued and 825,421 of the Company's shares were acquired on-market as required under the executive share plan. The Equity Incentive Plan for deferred short term PSR's and long term PR's was cancelled effective 8 August 2015 when the last employee who was eligible ceased employment with the Company. As at 31 December 2015 there are no PSR's remaining, and following cancellation of 21,328 PR's during the reporting period there are 11,506 PR's remaining that vest on 31 December 2016.

Molopo Energy Limited

Directors' Report (continued)

Performance Share Rights (continued)

The following table discloses the number, nature and status of the PSRs granted and outstanding during the year ended 31 December 2015:

	PSR's Outstanding at 1 January 2015	PSR's Granted	PSR's Vested	PSR's Expired or Cancelled	PSR's Outstanding at 31 December 2015
Sign-on: Deferred Short-Term Incentive:	393,334	-	(334,918)	(58,416)	-
2013	1,264,731	-	-	(1,264,731)	-
2012	63,308	-	-	(63,308)	-
Total	1,721,373	-	(334,918)	(1,386,455)	-

There were nil PRs granted to employees during the year ended 31 December 2015. The following table discloses the number, nature and status of the PRs granted and outstanding during the year ended 31 December 2015:

	PR's Outstanding at 1 January 2015	PR's Granted	PR's Vested	PR's Expired or Cancelled	PR's Outstanding at 31 December 2015
Long-Term Incentive:					
2014	15,957	-	-	(4,451)	11,506
2013	16,877	-	-	(16,877)	-
Total	32,834	-	-	(21,328)	11,506

The 2013 PR's expired on 31 December 2015 and the 2014 PR's will vest on 31 December 2016. The value of these will be tested on 31 December 2016.

The following table discloses the number, nature and status of the PSRs granted and outstanding during the year ended 31 December 2014:

	PSR's Outstanding at 1 January 2014	PSR's Granted	PSR's Vested	PSR's Expired or Cancelled	PSR's Outstanding at 31 December 2014
Transitional:	203,123	-	(203,123)	-	-
Sign-on:	1,158,874	-	(724,112)	(41,428)	393,334
Deferred Short-Term Incentive:					
2013	-	2,242,146	(747,024)	(230,391)	1,264,731
2012	671,035	-	(580,971)	(26,756)	63,308
2011	560,778	-	(560,778)	-	-
Total	2,593,810	2,242,146	(2,816,008)	(298,575)	1,721,373

Molopo Energy Limited

Directors' Report (continued)

Performance Share Rights (continued)

The following table discloses the number, nature and status of the PRs granted and outstanding during the year ended 31 December 2014:

	PR's Outstanding at 1 January 2014	PR's Granted	PR's Vested	PR's Expired or Cancelled	PR's Outstanding at 31 December 2014
Long Term Incentive					
2014	-	47,641	-	(31,684)	15,957
2013	27,453	-	-	(10,576)	16,877
2012	15,012	-	-	(15,012)	-
Total	42,465	47,641	-	(57,272)	32,834

Sign-on PSRs

The sign-on PSRs were awarded to certain new employees and executives by former Boards of the Company. One third of the PSRs awarded vested every 12 months from each employee's or executive's sign-on date provided they remained an employee or otherwise deemed to be a 'good leaver'. At 31 December 2015 there are no outstanding PSR's.

Deferred Short Term PSRs

During the year ended 31 December 2015, no PSRs were awarded under the short term portion of the Employee Incentive Scheme. All PSR's on issue at 31 December 2014 under this scheme expired or were cancelled during the year. As there are currently no employees of the company, there will be no further vesting of PSRs.

Long Term Incentive PRs

During the year ended 31 December 2015, no PRs were awarded under the long term portion of the Employee Incentive Scheme. 16,877 PR's expired during the year, and 4,451 PR's, relating to PR's expiring in FY2016, were cancelled as the vesting performance conditions were considered to have not been met by or on 31 December 2015.

Indemnification of Officers and Auditor

During the financial year, the Group paid premiums to insure the Directors, Secretary of Molopo, and the officers of the Group. The policies prohibit the Company disclosing premiums.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against these officers in their capacity as officers of entities of the Group, and any other payments arising from liabilities incurred by these officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a deliberately fraudulent or wilful breach of duty by the officer or are otherwise prohibited by the Corporations Act 2001.

The Company has entered into Deeds of Access, Insurance and Indemnity for all Directors of Molopo as well as Deeds of Insurance and Indemnity for executives that act as Directors or officers of a Group Company.

Molopo Energy Limited

Directors' Report (continued)

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

Directors' Meetings

The following table sets out the number of Directors' meetings held during the year ended 31 December 2015, and the number of meetings attended by each Director (while they were a Director). The Board Committees were disbanded and their responsibilities were assumed by the Board on 19 August 2014.

Board of Directors meetings:	Number of meetings attended	Number of meetings held
Samantha Tough	24	24
Antony Sormann	24	24
David Sanders, resigned 27 August 2015	18	18
Samuel Belzberg, appointed 31 July 2015	4	8
Yaniv Stern, appointed 27 August 2015	5	6

Auditor's Independence Declaration

The auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out on page 22 of this report.

Molopo Energy Limited

Directors' Report (continued)

Non-Audit Services

The Directors are satisfied that the provision of non-audit services during the year, by the Auditor BDO East Coast Partnership (or by another person or firm on the Auditor's behalf) is compatible with the general standard of independence imposed by the Corporations Act 2001.

The Directors' reasons for being satisfied that the provision of those non-audit services did not compromise the auditor independence requirements of the Act are:

- all non-audit services were subject to the corporate governance procedures adopted by Molopo and have been reviewed by the Board to ensure they do not impact the integrity and objectivity of the Auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in the Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the Auditor's own work, acting in a management or decision making capacity for Molopo, acting as an advocate for Molopo or jointly sharing risks and rewards.

During the period, the following fees were paid or payable for non-audit services provided by the auditor of Molopo.

	Year Ended 31 December 2015 A\$	Year Ended 31 December 2014 A\$
Non-Audit Services:		
Tax Compliance Services - BDO	11,950	-
Tax Compliance Services - Deloitte	28,132	26,870
Other	-	-
	40,082	26,870

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.

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Molopo Energy Limited

Remuneration Report (audited)

About this Report

This report is prepared in accordance with section 300A of the Australian Corporations Act 2001 and corporate governance guidance in Australia. Australian legislation requires disclosures in respect of Key Management Personnel (“KMP”) which is defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group. For the purposes of this report and for the year ended 31 December 2015, the Key Management Personnel comprise the Non-Executive Directors (the “NEDs”) of Molopo Energy and the previous CFO.

Compensation for the NEDs is paid in Australian dollars (“A\$”). Compensation for the CFO was paid in Canadian dollars (“C\$”) and, for reporting purposes, converted to A\$ based on the average exchange rate for the applicable period. The rate applied to the C\$ compensation and equity awards for the year ended 31 December 2015 was the average rate of 1.0203 and for the year ended 31 December 2014 was 1.0042.

Quoted prices and volume weighted average price of shares are expressed in A\$.

As at the date of this report, the Group has no employees and as a result, the Board discontinued the Short Term Incentive Plan (“STIP”) and LTIP Long Term Incentive Plan (“LTIP”) effective 9 August 2015.

Key Remuneration Principles

The key remuneration principles discussed below were in place during 2014 and 2015.

LTIP Targets January 2014 - December 2016

The assessment for the LTIP performance period ending December 2016 will be based on Relative Total Shareholder Returns as compared to peers.

Relative Total Shareholder Returns

Company’s TSR relative to the TSR of the Comparator Group over the performance period	Performance Measure
<50 th percentile	0
50 th percentile	0.50
51 st - 74 th percentile	0.51 to 0.99 on a pro-rata basis
>= 75 th percentile	1.0 ¹

¹Note that 1.0 represents outstanding performance (maximum vesting of this portion of LTIP).

Molopo Energy Limited

Remuneration Report (audited) (continued)

Relative TSR Comparator Group

The criteria for the selection of the peer group is at least 20 comparator companies listed on the ASX and/or the TSE which are in the same size range as Molopo and have as comparable assets and geography focus to Molopo as possible. Where companies in the peer group cease to exist or are no longer peers of Molopo, the Board retains discretion to change the peer group to reflect an appropriate comparison or to reduce the number of companies in the peer group.

For the performance period ending 31 December 2015, the peer group has been determined as:

1. Antares Energy (ASX: AZZ)	11. Austin Exploration (ASX: AKK)
2. Austex Oil Limited (ASX: AOK)	12. Elk Petroleum (ASX: ELK)
3. Granite Oil Corp (formerly Dee Three Exploration) (TSE: GXO)	13. Terra Energy Corp (TSE: TT)
4. Red Sky Energy (ASX: ROG)	14. Exall Energy Corp (TSE: EE)
5. Maverick Drilling (ASX: MAD)	15. Starr Peak Exploration, formerly Santonia Energy (CVE: STE)
6. Samson Oil & Gas (ASX: SSN)	16. Crocotta Energy Inc. (TSE: CTA)
7. Rock Energy Inc. (TSE: RE)	17. Entek Energy (ASX: ETE)
8. Sundance Energy (ASX: SEA)	18. Challenger Energy Inc. (ASX: CEL)
9. Storm Resources (CVE: SRX)	19. Kelt Exploration (LNG) Ltd, formerly Artek (TSE: RTK)
10. Nimin Energy Corp (TSX: NNN.H)	20. Renegade Petroleum (TSX: RPL)

Executive Remuneration

Executive remuneration packages contain the following key elements:

- Primary benefits – salary / fees, bonuses and non-monetary benefits;
- Post-employment benefits including superannuation;
- Equity including share options and performance share rights granted under employee incentive plans; and
- Other benefits.

Remuneration Table

The following table discloses the remuneration of the key management personnel of the Group during the year ended 31 December 2015:

2015	Short-term benefits			Post-employment benefits		Termination benefits	Share-based payments		Total
	Salary & fees	Bonus	Other Benefits	Super - annuation	Other		Equity-settled		
							Shares & units	Performance Share Rights	
\$	\$	\$	\$	\$	\$	\$	\$	\$	
Non-Executive Directors									
S Tough	73,648	-	-	6,997	-	-	-	-	80,645
A Sormann	56,000	-	-	-	-	-	-	-	56,000
D Sanders ¹	48,603	-	-	4,752	-	-	-	-	53,355
S. Belzberg ²	25,000	-	-	-	-	-	-	-	25,000
Y Stern ³	18,667	-	-	-	-	-	-	-	18,667
Officers									
P. Belliveau ⁴	270,482	-	-	-	-	-	-	-	270,482
D. Engle ⁵	25,238	-	-	-	-	-	-	-	25,238
A. Metcalfe	145,800	-	-	-	-	-	-	-	145,800
Total	663,438	-	-	11,749	-	-	-	-	529,387

1. D. Sanders resigned 27 August 2015

2. S. Belzberg was appointed on 31 July 2015

3. Y. Stern was appointed on 27 August 2015

4. P. Belliveau resigned on 9 August 2015

5. D. Engle resigned on 23 February 2015

Molopo Energy Limited

Remuneration Report (audited) (continued)

Remuneration Table (continued)

The following table discloses the remuneration of the key management personnel of the Group during the year ended 31 December 2014:

Year ended 31 December 2014	Short-term benefits			Post-employment benefits		Termination benefits	Share-based payments		Total	
	Salary & fees	Bonus	Other Benefits ¹⁴	Super - annuation	Other		Equity-settled ¹²			
							Shares & units	Performance Share Rights		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Non-Executive Directors										
S. Tough ¹	-	-	-	-	-	-	-	-	-	-
A. Sormann ¹	-	-	-	-	-	-	-	-	-	-
D. Sanders ¹	-	-	-	-	-	-	-	-	-	-
J. Schwarz ²	75,000	-	-	-	-	-	-	-	-	75,000
G. Ross ³	50,960	-	-	5,040	-	-	-	-	-	56,000
B. Straub ⁴	28,000	-	-	-	-	-	-	-	-	28,000
G. Cameron ⁵	21,233	-	-	2,100	-	-	-	-	-	23,333
D. Engle ^{3,7}	37,333	-	-	-	-	-	-	-	-	37,333
C. Ryan ⁶	42,000	-	-	-	-	-	-	-	-	42,000
G. Smith ⁷	28,000	-	-	-	-	-	-	-	-	28,000
	282,526	-	-	7,140	-	-	-	-	-	289,666
Executive Director										
S. Cloutier ^{8,11}	322,181	94,897	19,711	-	-	-	-	165,784	-	602,573
Officers										
D. Engle ⁹	100,420	-	-	-	-	75,315	-	-	-	175,735
P. Belliveau ¹¹	261,092	62,662	26,715	-	-	-	-	73,893	-	424,362
S. Ouellette ^{10,11}	65,273	52,218	9,469	-	-	182,764	-	61,577	-	371,301
	748,966	209,777	55,895	-	-	258,079	-	301,254	-	1,573,971
Total	1,031,492	209,777	55,895	7,140	-	258,079	-	301,254	-	1,863,637

1. S. Tough, A. Sormann and D. Sanders appointed Directors on 29 December 2014.

2. J. Schwarz retired as Chairman and Director on 29 December 2014.

3. G. Ross and D. Engle retired as Directors on 29 December 2014.

4. B. Straub retired as a Director on 18 June 2014.

5. G. Cameron retired as a Director on 28 May 2014.

6. C. Ryan was appointed as a Director on 8 April 2014 and retired 29 December 2014.

7. G. Smith was appointed as a Director on 18 June 2014 and retired 29 December 2014.

8. S. Cloutier ceased as Managing Director and CEO on 2 September 2014.

9. D. Engle was appointed Acting CEO on 2 September 2014. While Acting CEO, no Director Fee was paid.

10. S. Ouellette ceased as Chief Operating Officer on 31 March 2014.

11. PSRs were issued as a deferred short term incentive related to 2013 to S. Cloutier, P. Belliveau and S. Ouellette. These PSRs will vest at the rate of one-third every 12 months beginning 31 December 2014.

12. The value of the PSRs was determined at grant date based upon the 20-day volume weighted average price of the shares prior to the grant.

13. PRs were issued under the long term incentive program.

14. Other Benefits include a perquisite allowance, car parking and mandatory payments required to be made on behalf of Canadian employees.

Molopo Energy Limited

Remuneration Report (audited) (continued)

Performance Share Rights, Performance Rights and Options granted to Key Management Personnel

No Performance Share Rights and Performance Rights were issued to the key management personnel of the Group during the year ended 31 December 2015.

The following table discloses the Performance Share Rights and Performance Rights issued to the key management personnel of the Group during the year ended 31 December 2014:

	Time Vested		Performance & Time Vested			
	Original Number of PSR's Granted (Quantity)	Original Value of PSR's Granted \$	Original Number of PR's Granted (Quantity)	PR's Cancelled	Minimum Value of PR's Granted \$	Maximum Value of PR's Granted \$
S. Cloutier	845,839	165,785	21,146	(16,447)	-	74,714
P. Belliveau	377,003	73,893	9,425	-	-	149,858
S. Ouelette	314,169	61,577	9,425	(8,640)	-	12,482

Contracts of Employment

Non-Executive Director Remuneration Structure

Non-Executive Director Remuneration consists of base fees, other payments for additional services outside the scope of Board and Committee duties, and statutory superannuation contributions. Non-executive Directors do not earn retirement benefits other than superannuation for Australian Directors, are not entitled to any form of performance-related remuneration and do not participate in the employee incentive scheme.

The remuneration table on page 16 shows the fees paid to non-executive Directors during the year ended 31 December 2015. In addition to these fees, Non-Executive Directors are entitled to reimbursement of reasonable travel, accommodation and other expenses incurred in attending meetings of the Board, committees and shareholders, or while engaged on Molopo business. Non-Executive Directors are not entitled to compensation on termination of their Directorships.

Molopo's Non-Executive Director fee cap is A\$650,000 as approved by shareholders at the 2010 AGM.

Molopo Energy Limited

Remuneration Report (audited) (continued)

Executive & Director Shareholdings

Directors, officers, employees and their related parties must not enter into transactions in products associated with shares or options in the Company that operate to limit the economic risk of holding the shares or options in the Company during a Prohibited Period, and must not enter into transactions in products associated with shares or options in the Company that operate to limit the economic risk of holding any unvested shares or options in the Company at any time.

Directors, officers, employees and their related parties must not trade in any securities of the Company (including shares, options, contracts for difference, warrants, or derivatives) for speculative reasons or short-term gain.

Directors' Shareholdings

No current Director's had relevant interest in shares, debentures, and rights or options in shares or debentures of Molopo or a related body corporate as at the date of this report.

Executive KMP's Personal Shareholdings

At the date of this report there were no executive key management personnel.

Molopo Energy Limited

Remuneration Report (audited) (continued)

Key Management Personnel Shareholdings

The following table sets out the shareholdings of key management personnel of the Group during the:

(a) year ended 31 December 2015:

Fully paid ordinary shares of Molopo Energy Limited

31 December 2015	Balance at 1 January 2015	Granted	Issued on vesting of PSRs	Purchase	Sales	Other	Balance at 31 December 2015
	No.	No.	No.	No.	No.	No.	No.
S. Tough	-	-	-	-	-	-	-
A. Sormann	-	-	-	-	-	-	-
D. Sanders ¹	-	-	-	-	-	-	-
S. Belzberg ²	-	-	-	-	-	-	-
Y Stern ³	-	-	-	-	-	-	-
<i>Officers</i>	-	-	-	-	-	-	-
D. Engle ⁴	80,000	-	-	-	-	(80,000)	-
P. Belliveau ⁵	183,041	-	334,918	-	-	(517,959)	-
A. Meltcalfe	-	-	-	-	-	-	-
Total	263,041	-	334,918	-	-	(597,959)	-

1. D. Sanders resigned on 27 August 2015
2. S. Belzberg was appointed on 31 July 2015
3. Y Stern was appointed on 27 August 2015
4. D. Engle resigned on 23 February 2015
5. P. Belliveau resigned on 5 August 2015

(b) year ended 31 December 2014:

Fully paid ordinary shares of Molopo Energy Limited

31 December 2014	Balance at 1 January 2014	Granted	Issued on vesting of PSRs	Purchase	Sales	Other	Balance at 31 December 2014
	No.	No.	No.	No.	No.	No.	No.
J. Schwarz ¹	5,648,400	-	-	-	-	(5,648,400)	N/A
S. Cloutier ²	346,300	-	-	-	-	(346,300)	N/A
G. Ross ¹	37,143	-	-	-	-	(37,143)	N/A
B. Straub ³	50,000	-	-	-	-	(50,000)	N/A
G. Cameron ⁴	45,000	-	-	-	-	(45,000)	N/A
D. Engle ¹	80,000	-	-	-	-	(80,000)	N/A
S. Tough ⁷	-	-	-	-	-	-	-
A. Sormann ⁷	-	-	-	-	-	-	-
D. Sanders ⁷	-	-	-	-	-	-	-
<i>Officers</i>	-	-	-	-	-	-	-
D. Engle ⁵	-	-	-	-	-	80,000	80,000
P. Belliveau	131,600	-	54,535	-	(3,094)	-	183,041
S. Ouellette ⁶	36,600	-	318,649	-	-	(355,249)	N/A
Total	6,375,043	-	373,184	-	(3,094)	(6,482,092)	263,041

Notes:

1. J. Schwarz, G. Ross and D. Engle resigned as Non-Executive Directors on 29 December 2014.
2. S. Cloutier ceased as Managing Director and CEO on 2 September 2014.
3. B. Straub resigned as Non-Executive Director on 18 June 2014.
4. G. Cameron resigned as Non-Executive Director on 28 May 2014.
5. D. Engle was appointed Acting CEO on 2 September 2014.
6. S. Ouellette ceased as COO on 31 March 2014.
7. S. Tough, A. Sormann and D. Sanders appointed Non-Executive Directors on 29 December 2014.



Molopo Energy Limited

Remuneration Report (audited) (continued)

Key management personnel options holdings

As of 31 December 2015, no Directors or officers hold any unlisted options of Molopo Energy Limited.

Use of Remuneration Consultants

The Board periodically uses external consultants to provide advice on matters relating to remuneration. However, no external consultants were utilised during the year ended 31 December 2015 or the year ended 31 December 2014.

The Remuneration Report for the year ending 31 December 2014 was passed by shareholders at the 2015 AGM.

Signed in accordance with a resolution of the Directors.

A handwritten signature in black ink, appearing to read 'Antony Sormann', written in a cursive style.

Antony Sormann
Director

Melbourne
31 March 2016

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

As lead auditor of Molopo Energy Limited for the year ended 31 December 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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, 31 March 2016



Tel: +61 3 9603 1700
Fax: +61 3 9602 3870
www.bdo.com.au

Level 14, 140 William St
Melbourne VIC 3000
GPO Box 5099 Melbourne VIC 3001
Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Molopo Energy Limited

Report on the Financial Report

We have audited the accompanying financial report of Molopo Energy Limited, which comprises the consolidated statement of financial position as at 31 December 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 year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, 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 report.

Opinion

In our opinion:

- (a) the financial report of Molopo Energy Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 21 of the directors' report for the year ended 31 December 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Molopo Energy Limited for the year ended 31 December 2015 complies with section 300A of the *Corporations Act 2001*.

BDO East Coast Partnership



James Mooney

Partner

Melbourne, 31 March 2016

Molopo Energy Limited

Consolidated Statement of Financial Position As at 31 December 2015

		Consolidated	
	Note	31 December 2015 A\$000	31 December 2014 A\$000
CURRENT ASSETS			
Cash and cash equivalents	17(a)	67,263	67,385
Trade and other receivables	8	146	410
Assets held for sale	9	-	1,611
TOTAL CURRENT ASSETS		67,409	69,406
TOTAL ASSETS		67,409	69,406
CURRENT LIABILITIES			
Trade and other payables	13	262	991
Liabilities associated with assets held for sale	9	-	343
Provisions	14	48	-
TOTAL CURRENT LIABILITIES		310	1,334
NON-CURRENT LIABILITIES			
Provisions	14	8,258	8,824
TOTAL NON-CURRENT LIABILITIES		8,258	8,824
TOTAL LIABILITIES		8,568	10,158
NET ASSETS		58,841	59,248
EQUITY			
Share Capital	15	157,321	157,271
Reserves	16	(3,971)	(41,950)
Accumulated Losses		(94,509)	(56,073)
TOTAL EQUITY		58,841	59,248

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

Molopo Energy Limited

Consolidated Statement of Profit or Loss and Other Comprehensive Income For the year ended 31 December 2015

		Consolidated	
		Year ended 31 December 2015 A\$000	Year ended 31 December 2014 A\$000
	Note		
Continuing operations			
Revenue from the sale of gas and oil produced	4	-	-
Cost of sales from revenue producing operations			
Operating and transportation costs		-	(1,237)
Gross profit from continuing operations		-	(1,237)
Interest and other income	4	1,652	1,707
Administration expense		(851)	(1,109)
Depreciation expense	5	-	(62)
Salary and employee benefit expense	5	(694)	(1,889)
Legal, management and consulting fees		(417)	(1,434)
Operating lease expense		(57)	(177)
Share based payments	5	993	(590)
Other expenses		(7)	(153)
PROFIT/(LOSS) BEFORE INCOME TAX		619	(4,943)
Income tax expense from continuing operations	7	(71)	-
PROFIT/(LOSS) FROM CONTINUING OPERATIONS		548	(4,943)
Discontinued operations			
Loss from discontinued operations net of income tax	6	(91)	(1,268)
PROFIT/(LOSS) FOR THE PERIOD		457	(6,211)
OTHER COMPREHENSIVE INCOME NET OF TAX			
Foreign currency translation	16	408	(31)
Total other comprehensive income		408	(31)
TOTAL COMPREHENSIVE INCOME		865	(6,242)
Total comprehensive income for the period attributable to:			
Continuing operations		956	(4,974)
Discontinuing operations		(91)	(1,268)
		865	(6,242)

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

Molopo Energy Limited

Consolidated Statement of Profit or Loss and Other Comprehensive Income For the year ended 31 December 2015 (continued)

		Consolidated	
		Year ended 31 December 2015 A\$000	Year ended 31 December 2014 A\$000
	Note		
Profit/(loss) per share attributable to the owners of Molopo Energy Limited:			
Basic profit/(loss) per share (cents per share)	24	0.18	(2.50)
Diluted profit/(loss) per share (cents per share)	24	0.18	(2.50)
Profit/(loss) per share from continuing operations			
Basic profit/(loss) per share (cents per share)	24	0.22	(1.99)
Diluted profit/(loss) per share (cents per share)	24	0.22	(1.99)
Loss per share from discontinued operations			
Basic loss per share (cents per share)	24	(0.04)	(0.51)
Diluted loss per share (cents per share)	24	(0.04)	(0.51)

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

Molopo Energy Limited

Consolidated Statement of Changes in Equity For the year ended 31 December 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
Profit for the year	-	-	-	-	457	457
Other comprehensive income	-	-	408	-	-	408
Total comprehensive income for the year	-	-	408	-	457	865
Transactions with owners in their capacity as owners						
Issue of shares	50	-	-	-	-	50
Share based payments	-	(50)	-	-	-	(50)
Share based payments - cash settled	-	(138)	-	-	-	(138)
Share based payments - transferred in/(out)	-	-	-	-	-	-
Transfer from the Share Based Payment Reserve ¹	-	(1,134)	-	-	-	(1,134)
Closure of the Investment Fluctuation Reserve ²	-	-	-	29,353	(29,353)	-
Transfer from the Foreign Currency Translation Reserve ³	-	-	9,540	-	(9,540)	-
Balance as at 31 December 2015	157,321	111	(4,082)	-	(94,509)	58,841

1. Performance Share Rights issued by the company in prior reporting periods and which vested or were cancelled in the current reporting period have been reversed to the profit and loss account. The Share Based Payment Reserve has been reduced by \$1.134 million to reflect the value of the remaining long term Performance Rights that vest on 31 December 2016.

2. Closure of the Investment Fluctuation Reserve as it relates to historical transactions in prior years. Transfer to Accumulated losses.

3. Transfer from the Foreign Currency Translation Reserve to Accumulated losses to reflect the current operations of the group.

At 1 January 2014	156,322	1,792	(13,999)	(29,353)	(49,862)	64,900
Loss for the year	-	-	-	-	(6,211)	(6,211)
Other comprehensive income/(loss)	-	-	(31)	-	-	(31)
Total comprehensive income/(loss) for the year	-	-	(31)	-	(6,211)	(6,242)
Transactions with owners in their capacity as owners						
Share based payments	-	590	-	-	-	590
Share based payments transferred in/(out)	949	(949)	-	-	-	-
Balance as at 31 December 2014	157,271	1,433	(14,030)	(29,353)	(56,073)	59,248

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

Molopo Energy Limited

Consolidated Statement of Cash Flows For the year ended 31 December 2015

	Note	Consolidated	
		Year ended 31 December 2015 A\$000	Year ended 31 December 2014 A\$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		534	3,565
Payments to suppliers and employees		(3,858)	(8,541)
Interest received		1,200	548
Income tax (paid)/ recovered		(40)	68
NET CASH/USED IN OPERATING ACTIVITIES	17(b)	<u>(2,164)</u>	<u>(4,360)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of discontinued operations	6	<u>1,256</u>	622
NET CASH FROM INVESTING ACTIVITIES		<u>1,256</u>	<u>622</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment for share buyback		<u>(69)</u>	-
NET CASH/USED IN INVESTING ACTIVITIES		<u>(69)</u>	-
NET DECREASE IN CASH AND CASH EQUIVALENTS		(977)	(3,738)
OPENING CASH AND CASH EQUIVALENTS		67,385	69,781
Effect of exchange rate changes		855	1,342
CLOSING CASH AND CASH EQUIVALENTS	17(a)	<u>67,263</u>	<u>67,385</u>

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

Molopo Energy Limited

Notes to the Consolidated Financial Statements For the year ended 31 December 2015

1. CORPORATE INFORMATION

Molopo Energy Limited (“Molopo” or the “Company”) is a company incorporated and domiciled in Australia and listed on the Australian Securities Exchange (“ASX”). The consolidated financial report of the Company as at and for the year ended 31 December 2015 comprises the Company and its subsidiaries (together referred to as the “Group”).

Operations and Principal Activities

The Group’s principal activities during the 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

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the *Corporations Act 2001*, applicable Australian Accounting Standards (including Australian Accounting Interpretations) and other pronouncements of the Australian Accounting Standards Board (“AASB”). The consolidated Financial Report of the Group complies with International Financial Reporting Standards (“IFRS”) and interpretations adopted by the International Accounting Standards Board (“IASB”). The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

The financial report was authorised for issue on the date of signing the Directors’ Declaration.

(b) Basis of measurement

The financial report has been prepared on a historical cost basis, except for available for sale non-financial assets and investments, which have been measured at fair value.

The financial report is presented in Australian (“A”) dollars and rounded to the nearest one thousand dollars.

(c) Changes in accounting policy and disclosures

No changes in accounting policies occurred during the period.

Molopo Energy Limited

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December 2015

2. BASIS OF PREPARATION (continued)

(d) New and revised Standards and Interpretations

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current year. The adoption has not had any significant impact on the amounts reported in this financial report but may affect the accounting for future transactions or arrangements.

(e) Significant Judgments and Key Assumptions

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following:

- **Share Based Payments**

The Group measures the cost of equity settled transactions with employees by reference to the fair value of equity instruments at the date at which they are granted. The fair value is determined using the twenty-day volume weighted average price at the time of grant for performance share rights.

- **Taxation**

Judgement is required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised in the Consolidated Statement of Financial Position. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits and repatriation of retained earnings depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, operating costs, restoration costs, capital expenditure, and other capital management transactions. Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the Statement of Financial Position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the Consolidated Statement of Profit or (Loss) and Other Comprehensive Income.

- **Provision for litigation**

Judgement is required in assessing the likely outcome of the litigation and the assessment of the amount of costs to provide for. The Group determines the provision based on commercial judgement taking into consideration legal opinion.

Molopo Energy Limited

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December 2015

2. BASIS OF PREPARATION (continued)

(f) New Accounting Standards and Interpretations not yet mandatory or early adopted

At the date of authorisation of the financial report, the following Australian Accounting Standards and Interpretations relevant to the Group have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the year ended 31 December 2015.

Standard/Interpretation	Effective for the annual reporting period beginning on	Expected to be initially applied in the financial year ending
AASB 2014-3 'Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations'	1 January 2016	31 December 2016
AASB 15 'Revenue from Contracts with Customers' and AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15'	1 January 2017	31 December 2017
AASB 2014-10 'Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'	1 January 2016	31 December 2016
AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'	1 January 2016	31 December 2016
AASB 9 'Amendments to Australian Accounting Standards - Financial Instruments'	1 January 2018	31 December 2018
AASB 16 'Amendments to Australian Accounting Standards - Leases'	1 January 2019	31 December 2019

The Directors' anticipate that the above standards and interpretations will not have a material impact on the financial report of the Group in the year of initial application based on current operations.

Molopo Energy Limited

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December 2015

2. BASIS OF PREPARATION (continued)

(g) Corporations Act 2001 Amendments

During the year ended 31 December 2015 there have been no material amendments to the Corporations Act 2001 that the Group was required to adopt.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of Consolidation

The consolidated financial statements are those of the consolidated entity, comprising Molopo Energy Limited (the parent entity) and all subsidiaries that Molopo Energy Limited controlled for the year ended 31 December 2015.

Subsidiaries are all those entities over which the Company has control. Control is achieved when the company has power over the entity, is exposed to or has rights to variable returns from its involvement with the entity and has the ability to use its power to affect those returns. The Company reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of control.

The accounts of the subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. All intercompany balances, transactions, and unrealised profits arising from intra-consolidated entity transactions, have been eliminated in full. Full details pertaining to all subsidiaries are provided in Note 20.

The acquisition of subsidiaries or a group of assets meeting the definition of a business are accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values.

(b) Segment Reporting

The Group determines and presents operating segments (refer to Note 23) based on the information that is internally provided to the Board of Directors and the Executive Management Team (the chief operating decision makers).

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with any of the Group's other components) whose operating results are regularly reviewed by the entity's chief operating decision makers to make decisions about resources to be allocated to the segment, assess its performance and for which discrete financial information is available.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements. Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category called "all other segments".

Molopo Energy Limited

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Foreign Currency Translation

(i) Foreign currency transactions

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The functional currency of the parent entity is Australian dollars. For the purpose of consolidated financial statements, the results and financial position of each entity in the group are expressed in Australian dollars, which is the presentation currency for the consolidated financial statements.

Transactions in foreign currencies on initial recognition in the functional currency are recorded by applying to the foreign currency amount the spot exchange rate at the date of the transaction.

At each statement of financial position date:

- Foreign currency monetary items are reported using the closing exchange rate;
- Non-monetary items which are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- Non-monetary items which are measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

Exchange rate differences arising on the settlement of monetary items or on translating monetary items at exchange rates different from those at which they were initially translated during the period, or in previous financial statements, are recognised in profit or loss in the period in which they arise, with the exception of exchange rate differences arising on a monetary item that forms part of the net investment in a foreign operation which are recognised initially in a separate component of equity and recognised in profit or loss on disposal of the net investment.

(ii) Foreign operations

The following procedures are used in translating the results and financial position of foreign operations from their respective functional currencies to the Group's presentation currency (Australian dollars):

- Assets and liabilities at the closing rate at the balance sheet date;
- Income and expense items at average monthly exchange rates; and
- Exchange rate variations resulting from the translation are recognised in the foreign currency translation reserve in equity.

Molopo Energy Limited

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Cash and Cash Equivalents

Cash and cash equivalents in the Consolidated Statement of Financial Position comprise cash and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(e) Trade and Other Receivables

Trade receivables are recognised initially at fair value (original invoice amount), less allowance for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

(f) Trade and Other Payables

Liabilities for trade creditors and other payables are carried at cost, which is the fair value of the consideration to be paid in the future for the goods and services received, whether or not billed to the consolidated entity. Due to their short term nature they are not discounted. The amounts are unsecured and usually paid within 30 days of recognition.

Payables to related parties are recognised and carried at the nominal amount. Interest is not taken up as income on any related party payables.

(g) Employee Benefits

(i) Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(iii) Defined contribution superannuation plan

Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in the periods during which the services are rendered by employees.

(iv) Share based payments

The Group has previously provided benefits to employees (including the Executive Director) in the form of share based compensation, whereby employees render services in exchange for rights over shares.

Molopo Energy Limited

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Employee Benefits (continued)

The Board had previously approved the grant of options, performance share rights and performance rights as incentives to attract executives and to maintain their long term commitment to the Company. These benefits were awarded at the discretion of the Board (equity-settled transactions).

The costs of these equity-settled transactions are measured by reference to the fair value of the equity instruments at the date on which they are granted. The fair value of performance share rights granted is determined using the twenty-day volume weighted average price ("VWAP") of the Company's shares immediately prior to grant date. The fair value of options granted is determined by using a Black-Scholes option pricing technique.

The fair value of performance rights granted is also determined using the VWAP of the Company's shares immediately prior to grant date. However, since a performance right can ultimately vest into nil to 100 shares, an additional consideration is the current best estimate of the number of shares that will ultimately vest in three years based on performance factors.

The costs of these equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the "Vesting Period"), ending on the date on which the relevant employees become fully entitled to the equity instrument ("Vesting Date").

At each subsequent reporting date until vesting, the cumulative charge to the income statement is the product of (i) the fair value at grant date of the award; (ii) the current best estimate of the number of equity instruments that will vest, taking into account such factors as the likelihood of employee turnover during the Vesting Period and the likelihood of non-market performance conditions being met and (iii) the expired portion of the Vesting Period.

The charge to the income statement for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding credit to equity.

Until an equity instrument has vested, any amounts recorded are contingent and will be adjusted if more or fewer equity instruments vest than were originally anticipated to do so. Any equity instrument subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied.

If the terms of an equity-settled award are modified, as a minimum, an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share based payment arrangement, or is otherwise beneficial to the recipient of the award, as measured at the date of modification.

If an equity-settled transaction is cancelled (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied), it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new equity instrument is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new equity instrument are treated as if they were a modification of the original award, as described in the preceding paragraph.

The dilutive effect, if any, of outstanding options and performance share rights and performance rights is reflected as additional share dilution in the computation of diluted earnings per share.

Molopo Energy Limited

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Issued capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(i) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Oil

Sales of oil relate to on-shore oil production in North America. Emulsion (water and oil) is produced directly from the oil wells and until the emulsion is treated at a battery, there is no saleable product. Once the emulsion is treated, the oil is trucked and sold to third parties at the oil plant. Revenue from oil sales is recognised when title and the risk and reward of ownership have been transferred to the customer at the oil plant.

(ii) Sales of Gas and Natural Gas Liquids (“NGL’s”)

Sales of gas and NGL’s are recognised when title and the risk and reward of ownership have been transferred to a third party’s pipeline.

(iii) Interest

Interest revenue is recognised on an accrual basis using the effective interest rate method.

(j) Income Tax

Income tax expense is comprised of current and deferred tax. Current and deferred taxes are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences:

- The initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Differences relating to investments in subsidiaries and associates and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for deductible temporary differences and carry-forward unused tax losses and unused tax credits, to the extent that it is probable that taxable amounts will be available against which the deductible temporary differences, carry-forward unused tax losses and unused tax credits can be utilised.

Molopo Energy Limited

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Income Tax (continued)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable amounts will be available to allow all or part of the deferred tax asset to be utilised. Deferred tax assets may be subsequently recognised or past reductions reversed to the extent that it becomes probable that there will be sufficient taxable amounts to utilise the deferred tax asset.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(k) Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST except:

- i. where the GST incurred on a purchase of goods is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as an expense item as applicable; and
- ii. receivables and payables are stated with the amount of the GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Consolidated Statement of Financial Position.

Cash flows are included in the Consolidated Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(l) Earnings per share

Basic earnings per share ("EPS") is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares, which comprise share options, Performance Share Rights and Performance Rights granted to employees.

(m) Rounding of amounts

The Company is of the kind referred to in ASIC Class Order 98-0100, issued by the Australian Securities and Investment Commission, and in accordance with that Class Order amounts in the financial statements are rounded to the nearest thousand dollars, unless otherwise indicated.

Molopo Energy Limited

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December 2015

4. REVENUE AND OTHER INCOME

	Consolidated	
	Year ended 31 December 2015 A\$000	Year ended 31 December 2014 A\$000
Revenue from operating activities		
Proceeds from the sale of gas produced	-	-
Proceeds from the sale of oil and NGL's produced	-	-
Interest	1,251	545
	<u>1,251</u>	<u>545</u>
Other income		
Unrealised foreign exchange gain	343	1,162
Realised foreign exchange gain	58	-
	<u>401</u>	<u>1,162</u>
Total revenue and other income	<u>1,652</u>	<u>1,707</u>

5. EXPENSES

	Consolidated	
	Year ended 31 December 2015 A\$000	Year ended 31 December 2014 A\$000
Expenses		
Depletion	-	-
Impairment – exploration assets	-	-
Depreciation of non-current assets:		
-Office furniture & equipment	-	62
Director and employee benefits expenses:		
Salaries and wages	690	1,566
Superannuation	4	11
Payments on cessation of employment	-	312
Total expenses	<u>694</u>	<u>1,889</u>
Share based payments ¹	<u>(993)</u>	<u>590</u>
Total director and employee benefits expense	<u>(299)</u>	<u>2,479</u>

1. Performance Share Rights issued by the Company in prior reporting periods and were cancelled in the current reporting period have been written-back to the profit and loss account. Performance Share Rights that were vested during the reporting period whereby shares were acquired on market under the terms of the executive employment agreement totalled \$0.263 million. The Share Based Payment Reserve has been reduced by \$1.134 million to reflect the value of the remaining long term Performance Rights that vest on 31 December 2016.

Molopo Energy Limited

Notes to the Consolidated Financial Statements (continued) For the period ended 31 December 2015

6. DISCONTINUED OPERATIONS

During the year the Group disposed of the Fiesta assets in Texas. In the prior year the Group recorded an impairment charge of \$3.115 million relating to this asset. The impairment charge was determined based on the sale of the Fiesta assets, which was completed on 13 February 2015 for US\$1 million (A\$1.302 million). In the prior year the Group discontinued its mining and exploration operations in Canada.

	Notes	Consolidated	
		Year ended 31 December 2015 A\$000	Year ended 31 December 2014 A\$000
Results of discontinued operations			
Revenue			
-Proceeds from the sale of gas produced		200	617
-Proceeds from the sale of oil produced		82	2,872
		<u>282</u>	<u>3,489</u>
Expenses			
Loss from discontinued activities, net of tax		<u>(360)</u>	<u>(4,751)</u>
		<u>(78)</u>	<u>(1,262)</u>
Loss on sale of discontinued operations	1	(12)	(6)
Income tax on sale of discontinued operations		-	-
Loss for the period from discontinued operations		<u>(91)</u>	<u>(1,268)</u>
Cash flows - discontinued operations			
Net cash provided by/(used in) operating activities		(78)	1,853
Net cash provided by/(used in) investing activities		1,302	622
Net increase in cash and cash equivalents from discontinued operations		<u>1,224</u>	<u>2,475</u>
Carrying amount of assets and liabilities disposed			
Trade and other receivables		-	-
Property, plant and equipment		1,611	-
Trade and other payables		(343)	-
Net assets and liabilities disposed of		<u>1,268</u>	-
Details of the disposal			
Consideration received		1,302	-
Net exchange difference		(46)	-
Cash and cash equivalents disposed of		-	-
Net cash inflow		<u>1,256</u>	-
1. Losses			
Sales proceeds		1,302	-
Net carrying value		(1,268)	-
Net exchange difference		(46)	-
Net loss on sale of discontinued operations		<u>(12)</u>	-

Molopo Energy Limited

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December 2015

7. INCOME TAX

	Consolidated	
	Year ended 31 December 2015 A\$000	Year ended 31 December 2014 A\$000
(a) Income Tax Expense		
Current income tax expense	(71)	-
Deferred tax expense	-	-
Total Income Tax Expense	(71)	-
Attributable to:		
Income tax expense from continuing operations	(71)	-
Income tax expense from discontinued operations	-	-
Total Income Tax Expense	(71)	-
(b) Reconciliation between tax expense and pre-tax accounting loss		
Profit/(Loss) from continuing operation	548	(4,943)
Loss from discontinued operation	(91)	(1,268)
Profit/(Loss) before income tax	457	(6,211)
Prima facie tax expense on profit at 30%	137	(1,863)
Tax effect of items which are not deductible/(taxable) for income tax purposes:		
Non-deductible expenses	-	177
Non-assessable income	(298)	-
Effect of change in unrecognised deferred taxes	232	1,686
Income tax benefit/(expense)	(71)	-

The Company has accumulated unused income tax losses of A\$22 million (2014: A\$20 million) in its Canadian entities and A\$109 million (2014: A\$100 million) in its United States subsidiary for which no deferred tax asset has been recognised.

8. TRADE AND OTHER RECEIVABLES

	Consolidated	
	31 December 2015 A\$000	31 December 2014 A\$000
Trade receivables	-	252
Income tax receivable	-	32
Interest and other receivables	146	-
Prepayments	-	126
	146	410

The Group's exposure to credit and currency risk and impairment losses to trade and other receivables are disclosed in Note 27.

Molopo Energy Limited

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December 2015

9. ASSETS HELD FOR SALE

On 13 February 2015, the Company completed the sale of its Fiesta assets located in West Texas for US\$1.0 million (A\$1.3 million).

	Consolidated	
	31 December 2015 A\$000	31 December 2014 A\$000
Assets held for sale		
Oil and gas properties	-	4,726
Impairment expense	-	(3,115)
	-	1,611
Liabilities associated with assets held for sale	-	(343)
	-	1,268
Sale proceeds	1,302	-
Net carrying value	(1,268)	-
Net exchange difference	(46)	-
Loss on sale	(12)	-

10. PLANT AND EQUIPMENT

	Consolidated	
	31 December 2015 A\$000	31 December 2014 A\$000
At 31 December 2015		
Cost	-	657
Accumulated depreciation and impairment	-	(657)
	-	-
Carrying amount of beginning of period	-	62
Net additions/(disposals)	-	-
Depreciation charge	-	(62)
Net exchange difference	-	-
Carrying amount at end of period	-	-

Molopo Energy Limited

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December 2015

11. OIL AND GAS PROPERTIES

	Consolidated	
	31 December 2015 A\$000	31 December 2014 A\$000
At 31 December 2015		
Cost	-	8,354
Accumulated depreciation and impairment	-	(3,628)
	-	4,726
Carrying amount of beginning of period	-	5,296
Assets transferred from Exploration and Evaluation	-	-
Net additions/(disposals)	-	80
Depletion charge	-	(833)
Transferred to assets held for sale	-	(4,726)
Net exchange difference	-	183
Carrying amount at end of period	-	-

12. DEFERRED TAX ASSETS AND LIABILITIES

The Company has no deferred tax assets or liabilities.

Unrecognised deferred tax assets

In relation to foreign subsidiaries in Canada and USA, deferred tax assets arising from tax losses have not been recognised.

Franking account

	Consolidated	
	31 December 2015 A\$000	31 December 2014 A\$000
The balance of the Company's franking account is a franking credit balance of:	14,706	14,706

13. TRADE AND OTHER PAYABLES

	Consolidated	
	31 December 2015 A\$000	31 December 2014 A\$000
CURRENT		
Trade creditors	106	208
Other creditors and accruals	156	783
	262	991

Molopo Energy Limited

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December 2015

14. PROVISIONS

	Consolidated	
	31 December 2015 A\$000	31 December 2014 A\$000
CURRENT		
Employee entitlements	48	-
	<u>48</u>	<u>-</u>
NON-CURRENT		
Provision for legal claim	8,258	8,824
	<u>8,258</u>	<u>8,824</u>

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") by a former joint venture partner (3105682 Nova Scotia ULC ("310 ULC")) 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\$34.5) million general damages, C\$1.0 (A\$1.0) million punitive and aggravated damages, interest, GST and indemnity costs.

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 resulted in the Company applying a provision in the accounts in 2012 of a net C\$5.0 (A\$4.9) million. In early 2013, the JV Partner settled a counterclaim by making a payment of C\$3.4 (A\$3.3) million to the Company, at which time the Company increased the provision to C\$8.4 (A\$8.3) 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.

As there has been no movement in the legal process in the last two years the movement in the provision for legal claim arises solely from fluctuations in foreign exchange rates in the period. Accordingly, the Board deems the C\$8.4 (A\$8.3) million provision is appropriate.

Molopo Energy Limited

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December 2015

15. SHARE CAPITAL

	Consolidated	
	31 December 2015 A\$000	31 December 2014 A\$000
(a) Issued and paid-up capital		
Ordinary shares fully paid	157,321	157,271
	<u>157,321</u>	<u>157,271</u>
(b) Movement in shares on issue		
Balance at beginning of period	157,271	156,322
Issue of shares	50	-
Performance Share Rights ("PSR's") vested and issued	-	949
	<u>157,321</u>	<u>157,271</u>
(c) Share Capital Movement (Number of Shares)		
On Issue at beginning of period	248,705,730	246,724,091
PSR's vested and issued	334,918	1,981,639
	<u>249,040,648</u>	<u>248,705,730</u>

(d) Terms and conditions of contributed equity

Ordinary shares - There are 249,040,648 ordinary fully paid shares on issue (31 December 2014: 248,705,730). The Company has unlimited authorised capital with no par value. Ordinary shares entitle the holder to the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

(e) Share Options and Performance Share Rights

In relation to share options and performance share rights over ordinary shares refer to Note 18 for full details of the unlisted Employee Incentive Options, Performance Share Rights ('PSR's) and Performance Rights ("PR") held at the end of the financial period.

Molopo Energy Limited

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December 2015

16. RESERVES

	Share Based Payments Reserve A\$000	Foreign Currency Translation Reserve A\$000	Investment Fluctuation Reserve A\$000	Total A\$000
At 1 January 2015	1,433	(14,030)	(29,353)	(41,950)
Other comprehensive income/(loss)	-	408	-	408
Share based payments	(50)	-	-	(50)
Share based payments – cash settled	(138)	-	-	(138)
Transfer of Share Based Payments Reserve ¹	(1,134)	-	-	(1,134)
Closure of the Investment Fluctuation Reserve ²	-	-	29,353	29,353
Transfer from the Foreign Currency Reserve ³	-	9,540	-	9,540
Balance at 31 December 2015	111	(4,082)	-	(3,971)
At 1 January 2014	1,792	(13,999)	(29,353)	(41,560)
Other comprehensive income/(loss)	-	(31)	-	(31)
Share based payments	590	-	-	590
Share based payment reserve transferred out	(949)	-	-	(949)
Balance at 31 December 2014	1,433	(14,030)	(29,353)	(40,730)

1. Performance Share Rights issued by the company in prior reporting periods and which were cancelled in the current reporting period have been reversed to the profit and loss account. The Share Based Payment Reserve has been written-back by \$1.134 million to reflect the value of the remaining long term Performance Rights that vest on 31 December 2016.
2. Closure of the Investment Fluctuation Reserve as it relates to historical transactions in prior years. Transfer to Accumulated losses.
3. Transfer from the Foreign Currency Translation Reserve to Accumulated losses to reflect the current operations of the group.

	Opening Balance A\$000	Change in Value A\$000	Ending Balance A\$000
Investment Fluctuation Reserve			
For the year ended 31 December 2015			
Shares held in Legacy Oil & Gas Inc.	(28,303)	28,303	-
Other investments	(1,050)	1,050	-
	(29,353)	29,353	-
For the year ended 31 December 2014			
Shares held in Legacy Oil & Gas Inc.	(28,303)	-	(28,303)
Other investments	(1,050)	-	(1,050)
	(29,353)	-	(29,353)

The investment fluctuation reserve comprises both market and currency movements and all present impairments or gains and losses on investments in equity instruments that are not held for trading.

The Company disposed of its shares of Legacy Oil + Gas Inc. in February 2011.

Molopo Energy Limited

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December 2015

16 RESERVES (continued)

Share Based Payment Reserve

The share based payment reserve comprises all vested but unexercised options and an amortised portion of the PSRs and PRs granted.

Foreign Currency Translation Reserve

The foreign currency translation reserve comprises all foreign currency differences, net of any tax, arising from the translation of the financial statements of foreign operations. During the year ended 31 December 2015, variations between the Australian dollar and the US and Canadian dollars caused an increase in the foreign currency translation reserve.

Molopo Energy Limited

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December 2015

17. CASH FLOW STATEMENT

	Consolidated	
	31 December 2015 A\$000	31 December 2014 A\$000
(a) Reconciliation of cash		
Cash balance comprises:		
-Cash at bank	21,531	67,226
-Short-term deposits	45,732	159
Closing cash balance	67,263	67,385
(b) Reconciliation of the operating profit after tax to the net cash flows from operations		
Profit/(Loss) after tax	457	(6,211)
<i>Non-Cash Items</i>		
Profit on sale of plant and equipment	(12)	-
Amortisation of oil and gas properties	-	833
Impairment expense of exploration assets	-	3,115
Depreciation expense	-	62
Foreign exchange gain	(401)	(1,162)
Loss on sale of discontinued operations	12	6
Share based payments	(993)	590
<i>Adjust for changes in assets and liabilities</i>		
(Increase)/decrease in trade and sundry debtors	138	678
(Increase)/decrease in prepayments	126	241
Increase/(decrease) in trade and sundry creditors	(102)	(2,960)
Increase/(decrease) in accruals	(627)	(2,650)
Increase/(decrease) in employment entitlements	48	-
Increase/(decrease) in legal claim provision	(566)	-
Increase/(decrease) in restoration provision	-	35
Effect of exchange rate changes	244	3,063
Net cash flows used in operating activities	(2,164)	(4,360)

Molopo Energy Limited

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December 2015

18. SHARE BASED PAYMENTS

(a) Employee Performance Share Rights and Performance Rights Scheme

The Group previously had an ownership-based compensation scheme for employees. In accordance with the provisions of the scheme, the consolidated entity's employees were awarded Performance Share Rights ("PSRs") and Performance Rights ("PRs") in accordance with the rules of the Company's Employee Incentive Scheme. Each PSR entitled the holder to one ordinary share upon the satisfaction of specified performance criteria. Each PR entitled the holder to up to 100 ordinary shares upon the satisfaction of specified performance criteria. PSR and PR holders did not have any right, by virtue of the performance share right, to participate in any share issue of Molopo or any related body corporate.

Performance Share Rights

There were nil PSRs granted during the year ended 31 December 2015. The following table discloses the number, nature and status of the PSRs granted and outstanding during the year ended 31 December 2015:

	PSR's Outstanding at 1 January 2015	PSR's Granted	PSR's Vested	PSR's Expired or Cancelled	PSR's Outstanding at 31 December 2015
Sign-on	393,334	-	(334,918)	(58,416)	-
Deferred Short Term Incentive					
2014	-	-	-	-	-
2013	1,264,731	-	-	(1,264,731)	-
2012	63,308	-	-	(63,308)	-
Total	1,721,373	-	(334,918)	(1,386,455)	-

There were 2,242,146 PSRs granted during the year ended 31 December 2014. The following table discloses the number, nature and status of the PSRs granted and outstanding during the year ended 31 December 2014:

	PSR's Outstanding at 1 January 2014	PSR's Granted	PSR's Vested	PSR's Expired or Cancelled	PSR's Outstanding at 31 December 2014
Transitional	203,123	-	(203,123)	-	-
Sign-on	1,158,874	-	(724,112)	(41,428)	393,334
Deferred Short Term Incentive					
2013	-	2,242,146	(747,024)	(230,391)	1,264,731
2012	671,035	-	(580,971)	(26,756)	63,308
2011	580,778	-	(580,778)	-	-
Total	2,613,810	2,242,146	(2,836,008)	(298,575)	1,721,373

Sign-on PSRs

The Board previously approved sign-on PSRs to certain new employees and executives. One third of the PSRs awarded vested every 12 months from each employee's or executive's sign-on date provided they remained an employee or otherwise deemed to be a 'good leaver'.

Molopo Energy Limited

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December 2015

18. SHARE BASED PAYMENTS (continued)

(a) Employee Performance Share Rights and Performance Rights Scheme (continued)

Deferred Short Term PSRs

During the year ended 31 December 2015 the Board approved Nil PSRs.

During the year ended 31 December 2014 the Board approved 2,242,146 PSRs for employees and executives in accordance with the short term portion of the Employee Incentive Scheme related to 2013 performance. One third of the PSR's awarded were to vest on each of 31 December 2014, 31 December 2015 and 31 December 2016 provided the relevant employee or executive met certain performance criteria in respect of each tranche and either remained an employee of the Company or were otherwise deemed to be a 'good leaver'.

The following PSR-based transactions occurred during the period ended 31 December 2015:

For the period ended 31 December 2015	Date Granted	Vesting Date	Opening Balance	Number Granted	Number Vested	Number Forefeited /Expired	Closing Balance (Number)	Fair Value at Grant Date A\$
Key Management Personnel								
P. Belliveau	05/03/2012	5/03/2015	60,000	-	-	(60,000)	-	0.72
	01/01/2013	31/12/2014	29,402	-	-	(29,402)	-	0.34
	01/01/2013	31/12/2015	29,402	-	-	(29,402)	-	0.34
	01/01/2014	31/12/2014	125,668	-	-	(125,668)	-	0.20
	01/01/2014	31/12/2015	125,667	-	-	(125,667)	-	0.20
	01/01/2014	31/12/2016	125,667	-	-	(125,667)	-	0.20
			495,806	-	-	(495,806)	-	
Other personnel			1,225,567	-	-	(1,225,567)	-	
Total all personnel			1,721,373	-	-	(1,721,373)	-	

Molopo Energy Limited
Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2015

18. SHARE BASED PAYMENTS (continued)

(a) Employee Performance Share Rights and Performance Rights Scheme (continued)

Deferred Short Term PSRs (continued)

The following PSR-based transactions occurred during the period ended 31 December 2014:

31 December 2014	Date Granted	Vesting Date	Opening Balance	Number Granted	Number Vested	Number Forefeited /Expired	Closing Balance (Number)	Fair Value at Grant Date A\$
Key Management Personnel								
S. Cloutier	15/01/2013	17/01/2014	166,667	-	166,667	-	-	0.29
	15/01/2013	17/01/2015	166,667	-	-	-	166,667	0.29
	15/01/2013	17/01/2016	166,667	-	-	-	166,667	0.29
	01/01/2014	31/12/2014	-	281,946	-	-	281,946	0.20
	01/01/2014	31/12/2015	-	281,946	-	-	281,946	0.20
	01/01/2014	31/12/2016	-	281,947	-	-	281,947	0.20
P. Belliveau	05/03/2012	05/03/2014	60,000	-	60,000	-	-	0.72
	05/03/2012	05/03/2015	60,000	-	-	-	60,000	0.72
	01/01/2013	31/12/2013	29,402	-	29,402	-	-	0.34
	01/01/2013	31/12/2014	29,402	-	-	-	29,402	0.34
	01/01/2013	31/12/2015	29,402	-	-	-	29,402	0.34
	01/01/2014	31/12/2014	-	125,668	-	-	125,668	0.20
	01/01/2014	31/12/2015	-	125,668	-	-	125,668	0.20
	01/01/2014	31/12/2016	-	125,667	-	-	125,667	0.20
S. Ouellette	01/03/2012	01/03/2014	60,000	-	60,000	-	-	0.72
	01/03/2012	01/03/2015	60,000	-	60,000	-	-	0.72
	01/01/2013	31/12/2013	29,402	-	29,402	-	-	0.34
	01/01/2013	31/12/2014	29,402	-	29,402	-	-	0.34
	01/01/2013	31/12/2015	29,402	-	29,402	-	-	0.34
	01/01/2014	31/12/2014	-	104,723	-	-	104,723	0.20
	01/01/2014	31/12/2015	-	104,723	104,723	-	-	0.20
	01/01/2014	31/12/2016	-	104,723	104,723	-	-	0.20
I. Gorman	30/06/2011	30/06/2014	71,820	-	71,820	-	-	0.77
	31/12/2011	31/12/2013	46,999	-	46,999	-	-	0.61
	31/12/2011	31/12/2014	46,999	-	46,999	-	-	0.61
S. Arrowsmith	15/08/2011	15/08/2014	59,800	-	59,800	-	-	0.68
	31/12/2011	31/12/2013	17,067	-	17,067	-	-	0.61
	31/12/2011	31/12/2014	17,066	-	17,066	-	-	0.61
			1,176,164	1,537,011	1,038,195		1,674,980	
Other Personnel								
	01/07/2011	30/06/2014	131,303	-	131,303	-	-	0.77
	01/07/2011	04/07/2014	18,728	-	18,728	-	-	0.77
	18/07/2011	18/07/2014	53,511	-	53,511	-	-	0.76
	31/12/2011	31/12/2013	216,327	-	216,327	-	-	0.61
	31/12/2011	31/12/2014	216,320	-	216,320	-	-	0.61
	01/01/2012	01/01/2014	23,155	-	23,155	-	-	0.61
	01/01/2012	01/01/2015	23,154	-	23,154	-	-	0.61
	01/03/2012	01/03/2014	74,937	-	74,937	-	-	0.72
	01/03/2012	01/03/2015	74,936	-	74,936	-	-	0.72
	28/05/2012	28/05/2014	45,326	-	24,612	20,714	-	0.58
	28/05/2012	28/05/2015	45,326	-	24,612	20,714	-	0.58
	01/01/2013	31/12/2013	164,880	-	164,880	-	-	0.34
	01/01/2013	31/12/2014	164,875	-	149,245	13,378	2,252	0.34
	01/01/2013	31/12/2015	164,868	-	149,238	13,378	2,252	0.34
	01/01/2014	31/12/2014	-	235,045	144,285	76,797	13,963	0.20
	01/01/2014	31/12/2015	-	235,045	144,285	76,797	13,963	0.20
	01/01/2014	31/12/2016	-	235,045	144,285	76,797	13,963	0.20
Total Other Personnel			1,417,646	705,135	1,777,813	298,575	46,393	
Total All Personnel			2,593,810	2,242,146	2,816,008	298,575	1,721,373	

Molopo Energy Limited

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December 2015

18. SHARE BASED PAYMENTS (continued)

(a) Employee Performance Share Rights and Performance Rights Scheme (continued)

Performance Rights

Nil PRs were granted during the year ended 31 December 2015.

During the year ended 31 December 2014 the Board approved 47,641 PRs for employees and executives in accordance with the 2014 long term portion of the Employee Incentive Scheme. These PRs were to vest on 31 December 2016 provided the Company and the relevant employee or executive meets certain performance criteria in respect of each tranche, and remains an employee of the Company or is a 'good leaver'.

The following table discloses the number, nature and status of the PRs granted and outstanding during the year ended 31 December 2015:

		PR's Outstanding at 1 January 2015	PR's Granted	PR's Vested	PR's Expired or Cancelled	PR's Outstanding at 31 December 2015
Long Term Incentive						
	2014	15,957	-	-	(4,451)	11,506
	2013	16,877	-	-	(16,877)	-
Total		32,834	-	-	(21,328)	11,506

The following table discloses the number, nature and status of the PRs granted and outstanding during the year ended 31 December 2014:

		PR's Outstanding at 1 January 2014	PR's Granted	PR's Vested	PR's Expired or Cancelled	PR's Outstanding at 31 December 2014
Long Term Incentive						
	2014	-	47,641	-	(31,684)	15,957
	2013	27,453	-	-	(10,576)	16,877
	2012	15,012	-	-	15,012	-
Total		42,465	47,641	-	(57,272)	32,834

(b) Expenses arising from option and share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of Director and employee benefit expenses are detailed below:

	Consolidated 31 December 2015 A\$000	31 December 2014 A\$000
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(c) Share based payments

Total equity-settled options based payments recognised as an expense during the period

	(993)	590
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Molopo Energy Limited

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December 2015

19. PARENT ENTITY

As at, and throughout, the year ended 31 December 2015, the parent company of the Group was Molopo Energy Limited. The results and financial position of the parent entity are detailed below:

	Consolidated	
	31 December 2015 A\$000	31 December 2014 A\$000
Result of the parent entity		
Profit for the period	1,674	195
Other comprehensive income	-	96
Total comprehensive income for the period	1,674	291
Financial position of the parent entity at year end		
Current assets	59,070	58,964
Non-current assets	-	-
Total assets	59,070	58,964
Current liabilities	134	363
Non-current liabilities	-	-
Total liabilities	134	363
Total equity of the parent entity comprising of:		
Share Capital	157,321	157,271
Share Based Payment Reserve	-	-
Investment Fluctuation Reserve	-	-
Accumulated loss	(98,385)	(98,670)
Total equity	58,936	58,601

Parent entity contingencies and commitments

The parent entity has no contingent liabilities or commitments at 31 December 2015 (2014: Nil).

Molopo Energy Limited

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December 2015

20. CONTROLLED ENTITIES

The following table lists the details of controlled entities as at 31 December 2015:

Name of controlled entity	Country of incorporation	Class of share	Percentage Holding	
			31 Dec 2015	31 Dec 2014
Molopo Energy Limited (parent entity)	Australia	Ordinary		
Molopo USA LLC	USA	Ordinary	100	100
Molopo Energy Texas LLC	USA	Ordinary	100	100
Molopo Energy Holdings Ltd	Canada	Ordinary	100	100
Molopo Energy Canada Ltd	Canada	Ordinary	100	100
Molopo Canada Callco Ltd	Canada	Ordinary	100	100

21. CONTINGENT LIABILITIES

There were 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. With a near term resolution of the litigation looking unlikely, Molopo has instructed its legal team to do what is required to bring the matter to court as soon as possible.

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\$35.0 (A\$34.5) million general damages, C\$1.0 (A\$1.0) million punitive and aggravated damages, interest, GST and indemnity costs.

The Group has made a C\$8.4 (A\$8.3) million provision in these financial statements in relation to this litigation (see Note 14 of the financial statements). Molopo Energy Limited as parent company, is itself not a party to these proceedings. Whilst the litigation commenced in 2011, it is still at an early stage and 310 ULC has not progressed the litigation for nearly 2 years.

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\$90.0 (A \$88.8) 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.

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

Molopo Energy Limited

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December 2015

21. CONTINGENT LIABILITIES (continued)

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\$65.0 (A\$64.1) million general damages, C\$2.0 (A\$2.0) 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 Molopo dealing with its assets. Molopo's view is that the proceedings are without merit and accordingly Molopo is in the process of preparing an application 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\$6.0 (A\$5.9) million damages, special damages, accounting, C\$1.0 (A\$1.0) million restitution, specific performance declarations and interest. These proceedings were summarily dismissed on 26 September 2014 at Legacy's instigation. Shallow Gas appealed unsuccessfully against that decision and accordingly the proceedings are at an end.

22. EXPENDITURE COMMITMENTS

	Consolidated	
	31 December 2015 A\$000	31 December 2014 A\$000
Operating Lease Commitments		
Within one year ¹	-	47
One year or later and no later than five years	-	-
Greater than five years	-	-
	<hr/>	<hr/>
	-	47

1. Operating lease commitments relate to an office lease in Canada.

Molopo Energy Limited

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December 2015

23. SEGMENT INFORMATION

Identification of reportable segments

The predominant activities of the Group during the year were managing the Fiesta petroleum asset production program until its sale in February 2015, transition of all group operations from Calgary to Melbourne in August 2015, treasury management of the Group's cash reserves and continued management of the Group's legal disputes.

Segment information is prepared in conformity with the consolidated entity's policies described in Note 3. There were no inter-segment sales.

	Australia	Canada	USA	Total
Year ended 31 December 2015	A\$000	A\$000	A\$000	A\$000
External revenues	-	-	282	282
Interest revenues	1,171	80	-	1,251
Depreciation and amortisation	-	-	-	-
Income tax benefit/(expense)	-	(79)	8	(71)
Reportable segment profit/(loss) after tax	417	(53)	93	457
Reportable segment assets	59,070	8,097	242	67,409
Reportable segment liabilities	134	8,408	26	8,568
Year ended 31 December 2014				
External revenues	-	-	3,489	3,489
Interest revenues	517	29	-	545
Depreciation and amortisation	-	62	833	895
Income tax benefit/(expense)	-	-	-	-
Reportable segment profit/(loss) after tax	(195)	3,720	2,686	(6,211)
Reportable segment assets	58,964	7,142	3,300	69,406
Reportable segment liabilities	363	9,092	703	10,158
Capital expenditure	-	-	80	80
Other material non-cash items				
Impairment	-	-	(3,115)	(3,115)

Product segments

Historically, information was reported to the chief operating decision makers based on a commodity basis, being oil versus gas. For revenue, oil and gas follow the geographic basis disclosed above (i.e. all sales revenue from USA is oil and gas, Canada is for oil). In the USA and Canada, of the segment assets, all of them were associated with oil and gas operations. Segment liabilities in Canada and the United States were associated with oil and gas operations.

Major customers

In relation to revenue from the sale of gas and NGLs, sales to one customer account for essentially 100% of external revenue (2014: one customer accounted for 100%). In relation to revenue from the sale of oil, sales to one customer account for essentially 100% of external revenue (2014: one customer accounted for 100%).

Molopo Energy Limited

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December 2015

24. EARNINGS PER SHARE

	Consolidated	
	31 December 2015 A\$000	31 December 2014 A\$000
The following reflects the loss and share data used in the calculation of basic and diluted loss per share:		
Net profit/(loss) from continuing operations	547	(4,943)
Weighted average number of ordinary shares on issue in the calculation of basic loss per share	248,947,214	248,142,427
Effect of dilution		
Share options and Performance Share Rights dilutive	1,721,373	-
Weighted average number of ordinary shares adjusted for the effect of dilution	250,668,587	248,142,427
Basic profit/(loss) per share (cents per share)	0.18	(2.50)
Basic profit/(loss) per share (cents per share)	0.18	(2.50)
Earnings per share from continuing operations		
Basic profit/(loss) per share (cents per share)	0.22	(1.99)
Basic profit/(loss) per share (cents per share)	0.22	(1.99)
Earnings per share from discontinued operations		
Basic loss per share (cents per share)	(0.04)	(0.51)
Basic loss per share (cents per share)	(0.04)	(0.51)

Apart from as mentioned above, there have been no other transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

Molopo Energy Limited

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December 2015

25. RELATED PARTY INFORMATION

(a) Key management personnel

Details of key management personnel

The key management personnel of the Group during the financial year were:

- S. Tough (Non-Executive Director and Independent Interim Chairman);
- A. Sormann (Non-Executive Director);
- D. Sanders (Non-Executive Director), resigned 27 August 2015;
- S. Belzberg (Non-Executive Director), appointed 31 July 2015;
- Y. Stern (Non-Executive Director), appointed 27 August 2015; and
- P. Belliveau (Chief Financial Officer), resigned 5 August 2015.

Key management personnel compensation

The aggregate compensation of the Group's key management personnel is set out below.

	Consolidated	
	31 December 2015 A\$000	31 December 2014 A\$000
Short-term employee benefits	296	1,297
Post-employment benefits	-	7
Other long-term benefits	-	-
Cessation of employment benefits	-	258
Share based payments	125	301
	<u>421</u>	<u>1,863</u>

Loans with key management personnel (and their related parties)

During the financial year there have been no loans by the Group to key management personnel.

(b) Equity interests in related parties

Equity interests in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in Note 20.

(c) Wholly owned group transactions

During the year ended 31 December 2015, the transactions with controlled entities consisted of movements in the respective inter-company loan accounts. As at 31 December 2015, Molopo Energy Limited loan balances with its subsidiary companies were: Molopo Energy Texas LLC \$53,395,150 (31 December 2014: \$50,911,504); Molopo Energy Holdings Ltd \$1,201,595 (31 December 2014: \$1,269,845); and Molopo Energy Canada Ltd \$550,604 payable (31 December 2014: \$2,062,272 payable); for costs in relation to operation of the respective areas. These balances have been eliminated in the consolidated entity. During the year, no amounts (31 December 2014: \$Nil) were charged by the parent entity to the subsidiary companies for services provided. All loans have been provided on an interest free basis and have no fixed repayment date.

Molopo Energy Limited

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December 2015

26. AUDITORS REMUNERATION

	Consolidated	
	31 December 2015 A\$000	31 December 2014 A\$000
Audit Services:		
Audit services - BDO	28,930	-
Audit Services - Deloitte	-	91,200
	<u>28,930</u>	<u>91,200</u>
Non-Audit Services:		
Tax compliance services - BDO	11,950	-
Tax compliance services - Deloitte	28,132	26,870
Other services	-	-
	<u>40,082</u>	<u>26,870</u>

Molopo Energy Limited

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December 2015

27. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks, market risk (including interest rate risk, commodity price risk, equity price risk and currency risk), credit risk and liquidity risk. This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and their management of capital.

Risk management framework

To manage and limit the effects of financial risks the Board of Directors has approved the Risk Management Policy. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group at present does not use derivative financial instruments. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rates and foreign exchange, and ageing analysis for credit risk. The policies approved at balance date are outlined below.

Financial risk management is carried out by the Corporate Secretary and Chief Financial Officer under policies approved by the Board of Directors. The Chief Financial Officer identifies, evaluates and manages the financial risks of the Company. The Board provides written policies which also cover specific areas, such as foreign exchange risk, interest rate risk and credit risk.

(a) Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market prices, such as interest rates, commodity prices, equity prices and foreign exchange rates.

(i) Interest rate risk

The Group does not have any borrowings and therefore no significant exposure to interest rate risk. No interest is currently charged in relation to receivable or payable balances. The Group's exposure relates to the cash balances held.

(ii) Price risk

Commodity price risk

During 2014, the Group's revenue is exposed to commodity price fluctuations, in particular to gas and oil prices. In relation to oil prices and gas prices, the Group is exposed to price fluctuations as sales are at spot prices. In relation to financial assets and liabilities held at balance sheet date, the price risk is immaterial in terms of a possible impact on profit and loss and as such a sensitivity analysis has not been completed.

Molopo Energy Limited

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December 2015

27. FINANCIAL RISK MANAGEMENT (continued)

(iii) Currency risk

The Group undertakes transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. The Group has exposure to the Canadian Dollar and US Dollar. Measuring the exposure to foreign exchange risk is achieved by monitoring and performing sensitivity analysis on the Group's financial position.

Currency risk exposure

The carrying amounts of the Group's foreign currency denominated financial assets and liabilities in entities which do not have the corresponding functional currency at the reporting date are as follows:

	CAD (\$'000)	USD (\$'000)
31 December 2015		
Cash and cash equivalents	8,468	318
31 December 2014		
Cash and cash equivalents	10,289	6,716

Sensitivity Analysis

A 10 percent change of the Australian dollar against the USD and the CAD at 31 December 2015 would have increased / (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

	Impact on Post Tax Profit Higher/(Lower)		Other Comprehensive Income Higher/(Lower)	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
	A\$000	A\$000	A\$000	A\$000
AUD/CAD + 10%	835	1,085	835	1,085
AUD/CAD - 10%	(835)	(1,085)	(835)	(1,085)
AUD/USD + 10%	23	672	23	(672)
AUD/USD - 10%	(23)	(672)	(23)	(672)

Significant assumptions used in the foreign currency exposure sensitivity analysis above include:

- Reasonably possible movements in foreign exchange rates were determined based on a review of the last five years' historical movements.
- The reasonably possible movement of 10% was calculated by taking the foreign currency spot rates as at balance date, moving this spot rate by 10% and then re-converting the foreign currency into AUD with the "new spot-rate". This methodology reflects the translation methodology undertaken by the Group.
- The net exposure at balance date is representative of what the Group was and is expecting to be exposed to in the next twelve months from balance date.
- The sensitivity analysis includes only the impact on the balance of financial assets and financial liabilities at balance date.

Molopo Energy Limited

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December 2015

27. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit Risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the consolidated entity.

Credit risk is managed on a Group basis. The credit risk of the Group arises from cash and cash equivalents, deposits with banks and financial institutions, available-for-sale financial assets, as well as credit exposure to customers, including outstanding receivables. For banks and financial institutions, only independently rated parties with a minimum Standard & Poor's credit rating of A (or equivalent) are accepted.

The consolidated entity's maximum exposures to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the Consolidated Statement of Financial Position.

Consolidated	
31 December	31 December
2015	2014
A\$000	A\$000

Terms & Conditions:

Trade receivables are non-interest bearing and generally on 30-day terms.

The ageing of these receivables is as follows:

0-30 days	-	252
31-60 days (PDNI)	-	-
61-90 days (PDNI)	-	-
+ 90 days (PDNI)	-	-
	<hr/>	<hr/>
	-	252

(c) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding to settle transactions on the due date. The Group does not have any borrowings and therefore does not have any exposure to meeting external borrowing commitments. Management monitors rolling cash forecasts to ensure it can meet operational and investment requirements.

Molopo Energy Limited

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December 2015

27. FINANCIAL RISK MANAGEMENT (continued)

(d) Net Fair Values

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level	Valuation method
Level 1	Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3	Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following methods and assumptions are used to determine the net fair values of financial assets and liabilities:

Financial asset or liability	Fair value method
Cash, cash equivalents and short-term deposits	The carrying amount approximates fair value because of their short-term to maturity (Level: n/a).
Receivables and Payables	The carrying amounts approximate fair value (Level: n/a).
Investments	The fair value is calculated using quoted prices in active markets (Level 1).

(e) Capital Management

The Group's objectives when managing capital are to maintain a strong capital base capable of withstanding significant cash flow variability, whilst providing the flexibility to pursue its growth aspirations. The Group aims to maintain an optimal capital structure to reduce the cost of capital and maximise shareholder returns. The capital structure of the Group currently consists of cash and cash equivalents and equity.

The Group will balance its overall capital structure through the issue of new shares, or the issue of new debt where considered appropriate.

The Group is not subject to any externally imposed capital requirements.

28. SUBSEQUENT EVENTS

No matter or circumstance has arisen since 31 December 2015 that has significantly affected or may significantly affect the consolidated entity's operations, the results of those operations or the consolidated entity's state of affairs in future financial periods.

Molopo Energy Limited

Directors' Declaration

The Directors of Molopo Energy Limited declare that:

- a) In the Director's opinion the financial statements and notes set out on pages 25 to 63 and the Remuneration report in the Director's Report set out on pages 15 to 21 are in accordance with the Corporations Act 2001, including:
 - i) Giving a true and fair view of the Group's financial position as at 31 December 2015 and of its performance, for the financial year ended on that date; and
 - ii) Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and *Corporations Regulations 2001*;
- b) The financial report also complies with International Financial Reporting Standards issued by the International Accounting Standards Board, as disclosed in Note 2; and
- c) There are reasonable grounds to believe that the company will be able to pay its debts and when they become due and payable.

The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* by the Corporate Secretary and Chief Financial Officer for the year ended 31 December 2015.

Signed in accordance with a resolution of the Directors.

Dated at Melbourne this 31st day of March 2016.

A handwritten signature in black ink, appearing to read 'Antony Sormann', written in a cursive style.

Antony Sormann
Director

Molopo Energy Limited

ASX Additional Information

Additional information required by the Listing Rules of the Australian Stock Exchange Limited and which is not disclosed elsewhere in the Annual Report is as follows. The information is as at 31 March 2016.

Shareholder Distribution

The number of investors holding less than a marketable parcel of 3,572 shares (at \$0.14 on 31/03/2016) is 1,754 and they hold 2,675,428 securities.

Category (number of securities)	Ordinary Shares (listed)		
	Number of Holders	Number of Shares	Percentage (%)
1- 1,000	688	368,655	0.15%
1,001 - 5,000	1,552	4,445,700	1.79%
5,001 – 10,000	728	5,675,701	2.28%
10,001-100,000	1,177	36,923,873	14.83%
100,000 – and over	161	201,626,719	80.96%
Total	4,306	249,040,648	100%

Twenty Largest Registered Shareholders as at 31 March 2016

Shareholder

Listed Ordinary Shares		
Number	Percentage (%)	
ION Limited	49,687,332	19.95%
Keybridge Capital Limited	46,017,543	18.48%
Citicorp Nominees Pty Limited	22,940,258	9.21%
JP Morgan Nominees Australia Limited	10,862,597	4.36%
HSBC Custody Nominees (Australia) Limited GSCO ECA	7,955,386	3.19%
Rocati Pty Ltd	3,398,800	1.36%
Aurora Funds Management Ltd	3,288,033	1.32%
Rubi Holdings Pty Ltd	3,200,000	1.28%
Merrill Lynch (Australia) Nominees Pty Limited	2,143,690	0.86%
ABN Amro Clearing Sydney Nominees Pty Ltd	2,128,403	0.85%
Mr Sean Dennehy	1,702,800	0.68%
R&R Corbett Pty Ltd	1,657,715	0.67%
CVC Limited	1,521,000	0.61%
Aurora Funds Management Ltd	1,382,503	0.56%
Sporran Lean Pty Ltd	1,330,000	0.53%
Pakasoluto Pty Limited	1,286,658	0.52%
Gilbrat Capital Corporation	1,188,526	0.48%
BHL Pension Pty Ltd	1,000,000	0.40%
Cowoso Capital Pty Ltd	1,000,000	0.40%
Brispot Nominees Pty Ltd	920,966	0.37%
Total	164,612,210	66.10%

Molopo Energy Limited

ASX Additional Information (continued)

Substantial Holders

ION Limited is a substantial holder in the Company, with a holding of 49,687,332 shares.

Keybridge Capital Limited (with its associated entity Aurora Funds Management Limited) is a substantial holder in the Company, with a holding of 50,688,079 shares.

Gibralt Capital Corporation is a substantial holder in the Company, with a holding of 22,501,734 shares.

Voting Rights

On a show of hands every shareholder present in person or by proxy holding ordinary shares in the Company shall have one vote and upon a poll each share shall have one vote. There are no voting rights attached to the options, performance share rights or performance rights.

Number of Restricted Securities

As at 31 March 2016, there were no restricted securities.

Incentive Options

As at 31 March 2016, the Group had nil Incentive Options on issue under the Molopo Energy Limited Employee Incentive Scheme, which are not quoted on the Australian Securities Exchange.

Performance Share Rights

As at 31 March 2016, the Group had nil Performance Share Rights on issue under the Molopo Energy Limited Employee Incentive Scheme, which are not quoted on the Australian Securities Exchange.

Molopo Energy Limited

ASX Additional Information (continued)

Performance Rights

As at 31 March 2016, the Group had 11,506 Performance Rights on issue under the Molopo Energy Limited Employee Incentive Scheme, which are not quoted on the Australian Securities Exchange. These Performance Rights are held by 5 holders.

Unquoted Performance Rights				
Category (number of securities)	Number of Holders	Number of PR's	Maximum Number of Shares	Percentage (%)
1- 1,000	3	1,833	183,300	16%
1,001 - 5,000	2	9,673	967,300	84%
5,001 – 10,000	-	-	-	-
10,001-100,000	-	-	-	-
100,000 – and over	-	-	-	-
Total	5	11,506	1,150,600	100%



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Molopo Energy Limited
www.molopoenergy.com

