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**norwest**  
ENERGY NL

**ANNUAL FINANCIAL REPORT  
30 JUNE 2019**

ABN 65 078 301 505

**NORWEST ENERGY NL**  
**ABN 65 078 301 505**  
**ACN 078 301 505**

**Directors**

Mr Ernest Anthony Myers  
(Non-Executive Chairman)

Mr Henry David Kennedy  
(Non-Executive Director)

**Managing Director**

Mr Iain Peter Smith

**Company Secretary**

Mrs Jo-Ann Long

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**Lawyers**

Lindsay Street Partners

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**Australian Securities Exchange**

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# Directors' Report

The Directors of Norwest Energy NL ("Norwest" or "the Company") present their report consisting of the Company and its subsidiaries ("Consolidated entity" or "Group"), for the financial year ended 30 June 2019.

## 1. DIRECTORS AND OFFICERS

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

### **Mr Ernest Anthony Myers (Independent Non-Executive Chairman) CPA**

Mr Myers became a Director of Norwest on 28 November 2018. Mr Myers, an Accountant by profession, has held senior management and executive roles within a number of ASX listed companies. During his career he has been instrumental in the capital raisings and financial management of these companies. With skills and knowledge gained from vast experiences in corporate, exploration and operational areas, Mr Myers has played a key role in maintaining the Company's financial stability. Mr Myers joined Pancontinental as a Director in March 2004 and has served in a number of executive and non-executive roles.

### **Mr Henry David Kennedy (Non-Executive Director), MA (Geology), SEG**

Mr Kennedy became a Director of Norwest on 14 April 1997. Mr Kennedy has had a long association with Australian and New Zealand resource companies and as a technical director has been instrumental in the formation and/or development of a number of successful listed companies including Pan Pacific Petroleum NL, New Zealand Oil and Gas Limited (NZOG), Mineral Resources (NZ) Ltd and Otter Exploration NL. During his term as Executive Director of Otter, Pan Pacific and NZOG, these companies were involved in the discovery of the Tubridgi and South Pepper gas fields in Western Australia, the North Herald and Chervil oil fields in Western Australia and the Kupe South and Rua oil/gas condensate fields in New Zealand. During the three year period to the end of the financial year, Mr Kennedy has held directorships in Pancontinental Oil & Gas NL (August 1999 to present) and East Africa Resources Limited (March 2013 to April 2015).

### **Mr Iain Peter Smith (Managing Director) BSc.(Geophysics/Geology), MSc.(Petroleum Geology/Geophysics), GradD.BA**

Mr Smith joined Norwest Energy on 2 April 2019. Mr Smith is a petroleum geoscientist with 30 years' broad experience of the upstream oil & gas industry, both internationally and in Australia. His early career saw him work offshore UK North Sea, before joining Premier Oil as a New Ventures Explorationist. Thereafter, Mr Smith spent seven years in the geoscience services sector, before joining Woodside Energy in a commercial role. At Woodside he worked within the Exploration & New Ventures group, and subsequently the Browse LNG project, with responsibilities including commercial analysis and asset divestment. In 2008 Mr Smith joined private exploration company Neon Energy, as Commercial Manager, and was responsible for the subsequent merger with ASX-listed Salinas Energy. He managed the commercial and investor relations aspects of the company's activities in Southeast Asia and California, including the high profile farmout of Neon's two offshore Vietnam projects. In 2016 Mr Smith joined Pilot Energy as Managing Director, overseeing an aggressive new ventures campaign that resulted in the low-cost acquisition of six exploration permits within Western Australia, including within the onshore and offshore Perth Basin.

### **Ms Jo-Ann Long (Company Secretary and Chief Financial Officer) B.Comm, FCA, GAICD**

Ms Long was appointed CFO and Company Secretary on 15 September 2017 and then resigned as Company Secretary on 18 September 2018. Ms Long was reappointed as Company Secretary on 2 April 2019. Ms Long has over 28 years of experience building, leading and advising corporations on financial management, restructures, international expansion, acquisitions and risk management. Commencing with Deloitte's and then 18 years in the Oil and Gas industry, with Woodside and Transerv Energy (now Whitebark Energy), Ms Long has specialised expertise in joint venture operations, commercial agreements, tax strategies, risk management and governance. With strong broad commercial and business skills Ms Long brings a strong discipline of financial management and a track record of documented contributions of improved financial performance, heightened productivity and enhanced internal controls. Ms Long is CFO and Company Secretary for Sun Resources NL, Managing Director of Eco Smart Designs, and holds non-executive directorships with Yijiyangu Corporation Limited and B2 Yaramarri Direct Benefits Trust.

**Mr Michael John Fry (Independent Non-Executive Chairman)**, BComm, FFin (Resigned 28 November 2018)

Mr Fry became a Director of Norwest on 8 June 2009 and Chairman on 18 September 2009. . Mr Fry holds a Bachelor of Commerce degree from the University of Western Australia and is a Fellow of the Financial Services Institute of Australasia. Mr Fry has extensive corporate and commercial experience, financial and capital market knowledge and a background in corporate treasury management. Mr Fry has held directorships in Brookside Energy Ltd (April 2004 to present), Challenger Energy Limited (January 2007 to present) and Technology Metals Australia Limited (May 2016 to present).

**Mrs Shelley Maree Robertson (Managing Director)** BSc(Eng), GradDip(IT), MEngSc(Pet Eng), MBA(Oil & Gas) (Resigned 2 April 2019)

Mrs Robertson joined Norwest Energy in January 2011 following her appointment to the Company's Senior Leadership Team. She was promoted to Chief Executive Officer in July 2016 and then Managing Director in October 2017. Mrs Robertson has significant senior management experience in the resources industry, with over 30 years in oil and gas, mining, infrastructure and renewables. She has extensive expertise in technical project execution, budget management, JV management, commercial negotiations, contracts and well-site operations. Her previous oil and gas roles include positions with Woodside, BHP Petroleum, Apache, Marathon and Tap Oil. Mrs Robertson is a Director on the Board of Telethon Type 1 Diabetes Family Centre, is on the Guildford Grammar School P&F Committee and President of the Guildford Arts Supporters Group.

**Mr Bennett Greenhalgh (Company Secretary)** B.Comm, LLB (Honours) (Resigned on 2 April 2019)

Mr Greenhalgh was appointed to the position of Company Secretary on 18 September 2018. Mr Greenhalgh is a corporate and commercial lawyer with significant experience at both global and boutique corporate law firms. He has extensive experience advising on corporate governance matters, as well as managing corporate transactions such as capital raising, M&A, and cross-border commercial trade deals.

## 2. DIRECTORS INTERESTS

As at the date of this report, the Director's interests in the securities of the Company are as follows:

	Ordinary Shares	Options over Ordinary Shares
Mr Henry David Kennedy (Non-Executive Director)	167,494,130	-

## 3. EARNINGS PER SHARE

	2019	2018
Basic earnings per share (cents per share)	(0.01)	(0.01)
Diluted earnings per share (cents per share)	(0.01)	(0.01)

## 4. CORPORATE INFORMATION

### Corporate Structure

The Company is a no liability company that is incorporated and domiciled in Australia.

### Nature of Operations and Principal Activities

The principal activity of the Consolidated entity during the course of the financial year was exploration for hydrocarbon resources. Norwest is operator of the EP413 Joint Venture and, via its subsidiary, Operator of the TP/15 Joint Venture.

## 5. OPERATING AND FINANCIAL REVIEW

### Operations Summary

#### Review of Operations

As at the date of this report, the Group holds the following interests:

- 25% in TP/15 (as Operator);
- 27.945% in EP413 (as Operator);
- 20% in EP368;
- 22.22% in EP426; and
- 6.278% in L14 and the Jingemia oil field.

#### TP/15

In June 2019, Norwest commenced operations to undertake a 3D seismic survey over the Xanadu oil discovery, further to a prolonged process to obtain the requisite environmental approvals. The 40km<sup>2</sup> transition zone survey was completed subsequent to the end of the reporting period, in mid-July 2019. The data is currently being processed by an external contractor, with the final 3D seismic volume expected to be available and interpreted by November 2019.

The purpose of the 3D seismic program is to delineate the Xanadu horst structure in order to determine the potential for contingent resources both updip and downdip from the Xanadu-1 well location. The seismic is necessary due to the fact that the Xanadu-1 well was drilled based upon very limited 2D seismic data, being located primarily based on regional gravity and magnetic data.

Once the 3D seismic volume has been processed, interpreted and integrated with Norwest's existing subsurface model, the TP/15 Joint Venture will consider an appraisal well on the Xanadu structure, with the preferred option being a horizontal side-track of the existing Xanadu-1 wellbore.

#### TP/15 Joint Venture

Name	Interest in TP/15
Norwest	25% (Operator)
3C Group	30%
Triangle Energy Ltd	45%

#### EP413

Norwest is Operator of exploration permit EP413, within which the Arrowsmith-2 well proved up a significant unconventional contingent gas resource. To progress the Arrowsmith discovery a further well is required, with a lateral section subject to hydraulic fracturing. Operations have been on hold during the reporting period, due to the Western Australian state government scientific inquiry into hydraulic fracture stimulation. The inquiry panel handed its findings to the State Government on 12<sup>th</sup> September 2018, and the State Government has recently lifted the moratorium on hydraulic fracturing. However state legislation is still required before hydraulic fracturing can proceed within EP413, and Norwest will seek a further suspension/extension of the work program commitments while progressing discussions with a number of third parties that have expressed interest in the permit.

#### EP413 Joint Venture

Name	Interest in EP413
Norwest	27.945% (Operator)
Mitsui & Co., Ltd	44.252%
Bharat PetroResources Limited	27.803%

## EP368

During the year, Energy Resources Ltd (a wholly owned division of Mineral Resources Ltd) progressed its evaluation of the prospectivity of exploration permit EP368. The recent significant gas discovery by Strike Energy at West Erregulla-2 has enhanced the prospectivity of the permit, and the EP368 Joint Venture will be drilling a commitment exploration well during H1 2020. Currently the EP368 prospect portfolio includes two large gas prospects (Lockyer Deep and North Erregulla Deep) and a large oil prospect (Springy Creek).

A Joint Venture prospect selection decision is pending, for which of the three prospects to target with drilling within the current permit year (which ends 30 June 2020).

### EP368 Joint Venture

Name	Interest in EP368
Norwest	20%
Mineral Resources	80% (Operator)

## EP 426

During the year, Energy Resources Ltd (a wholly owned division of Mineral Resources Ltd) progressed its evaluation of the prospectivity of exploration permit EP426. As with EP368 the West Erregulla-2 gas discovery has enhanced the prospectivity of the permit, which hosts the eastern extension of the North Erregulla Deep gas prospect.

### EP426 Joint Venture

Name	Interest in EP426
Norwest	22.22%
Mineral Resources	77.78% (Operator)

## L14 Jingemia Oilfield

Subsequent to the end of the reporting period, Norwest executed a Sale & Purchase Agreement with joint venture partner RCMA Pty Ltd, to sell its interest in L14 and the associated oil production for a sale price of \$700,000. The agreement remains subject to the usual regulatory approvals and is anticipated to complete in November 2019.

### L14 Joint Venture

Name	Interest in L14
Norwest	6.278%
RCMA Australia	93.722% (Operator)

### Performance Indicators

Management and the Board monitor the Group's overall performance by:

- evaluating whether exploration activity and expenditure is adding value to the asset portfolio;
- analysis of financial budgets versus actual results; and
- the Company's share price.

The underlying drivers which contribute to the Company's performance and can be managed internally include a disciplined approach to reducing the Group's non-essential costs and allocating funds to those activities which will add shareholder value. The Company's share price is often influenced by factors outside the control of management and the Board, such as market conditions, however through effective communication between the Company and all of its stakeholders the Company can provide assurance that there are regular reviews in place to determine actions which should be implemented to increase Company performance.

### Dynamics of the Business

The Board are focussed on Norwest developing its interests in existing acreage in Western Australia. Norwest seeks to farm out its interests where appropriate to de-risk its exposures and facilitate successful exploration and development.

### Results of Operations

The net loss of the Consolidated entity for the year ended 30 June 2019 of \$877,325 was higher than the loss of the prior year of \$253,009. The main contributing factor was;

- An increase in expenditure due to active operations on TP15
- An increase in expenditure due to Operations on Jingemia (L14)

### Financial Position

At 30 June 2019, the Group had cash reserves of \$0.6m (2018: \$1.6m) and Borrowings of \$750,000 in the form of a Convertible Note (Note12). At 30 June 2019, the Group had net assets of \$6.4m (2018: \$7.3m) a decrease of \$0.9m. This is largely attributable to:

- An increase in exploration assets due to the acquisition of Seismic in TP15.
- An increase in Operating expenses for the Jingemia field after commencement of production.

Resulting in a corresponding decrease in the cash at bank.

### 6. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the opinion of Directors there were no significant changes in the state of affairs of the Group that occurred during the financial year under review.

### 7. SIGNIFICANT EVENTS AFTER THE BALANCE DATE

Other than the events outlined in note 20 of the financial statements, at the date of this report, there are no matters or circumstances, which have arisen since 30 June 2019 that have significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

### 8. LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Likely developments in the operations of the Group that were not finalised at the date of this report included:

- 3D Seismic results in TP15 to support drilling of an appraisal well in the Xanadu structure
- Well suspension activities on EP413

Further information on likely developments in the operations of the Consolidated entity and the expected results of operations have not been included in this financial report because the Directors believe it would be likely to result in unreasonable prejudice to the Consolidated entity.

## 9. ENVIRONMENTAL REGULATION AND PERFORMANCE

Norwest has as one of its central tenets, a policy of fully complying with and surpassing the requirements for environmental management in whatever country/jurisdiction that it operates in. To this end Norwest has developed and implemented where appropriate the following:

- corporate environment policies and procedures that are communicated to and adhered to by all employees;
- environmental management systems and programs relevant to each level of organisation based on but surpassing the level of standards applying in each jurisdiction;
- annual budgets for environmental systems implementation;
- plans for continuous monitoring and improvement;
- workforce training on environmental issues including assignment of management representatives and facilitators to monitor environmental systems;
- a set of quantitative objectives and targets aimed at continuous improvements which exceed legal compliance;
- continuous reviews of performance at different levels in the organisation and projects hierarchy; and
- a strategy for conducting impact-assessment surveys and periodic audits.

### Native Title

There is the risk that native title exists over the land on which the Consolidated entity holds exploration permits. It is impossible at this stage to quantify the impact (if any), which native title may have on the operations of the Consolidated entity.

### Past History

Norwest has historically met all environmental requirements through third parties and its partner companies. Accordingly, Norwest is conversant with environmental requirements and has developed a corporate environmental policy based on:

- government regulation and requirements;
- experience from past projects; and
- assistance from expert consulting groups.

## 10. INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Constitution of the Company requires the Company, to the extent permitted by law, to indemnify any person who has been an officer of the Company or Group for any liability caused as such by an officer and any legal costs incurred in defending an action for any liability. During or since the end of the financial year, no amounts have been paid by the Company or Group in relation to the above indemnities. During the financial year, an annualised insurance premium was paid to provide adequate insurance cover for Directors and Officers against any potential liability and the associated legal expenses of any proceeding.

## 11. DIVIDENDS

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.

## 12. REMUNERATION REPORT - Audited

This Remuneration Report, which forms part of the Directors' Report, outlines the remuneration of the Key Management Personnel ("KMP") of Norwest. For the purposes of this report, the KMP are the Directors and the Company Secretary.

### Remuneration Policy

The Group's remuneration policy for its KMP has been developed by taking into account the size of the management team for the Group, the nature and stage of development of the current operations and market conditions and comparable salary levels for companies of a similar size and operating in a similar sector.

In addition, the Board in determining the remuneration policy for KMP places emphasis on the following: the Group is currently only undertaking exploration, appraisal and development activities, risks associated whilst undertaking these activities and other than profit from asset sales, the Company does not expect any profitable operations until sometime in the future.

### **Executive Remuneration**

The Group's remuneration policy for its executive officers is to provide a fixed component and a performance-based component (short and long term incentives). The Company aims to:

- reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company;
- align the interests of executives with those of shareholders and business objectives; and
- ensure total remuneration is competitive by market standards.

Fixed remuneration is reviewed regularly by the Board. The process consists of a review of Company and individual performance, relevant comparative remuneration externally and internally and, where appropriate external advice on policies and practices. It also takes into account any change to the scope of the role performed by the executive and any other relevant factors of influence.

### **Employment Contracts with Executives**

#### ***Mr Iain Smith, Managing Director – from 2<sup>nd</sup> April 2019***

Iain has a Services Agreement ("the agreement") which specifies the duties and obligations to be fulfilled in his role. Mr Smith receives a fixed remuneration component of \$276,000 per annum for the position of Managing Director. The Company or the Managing Director may terminate the agreement by providing 3 months' notice. The Company and Mr Smith will implement a Short-Term Incentive Plan and will also be offered Incentive Share Options, subject to shareholder approval.

#### ***Ms Jo-Ann Long Chief Financial Officer and Company Secretary – from 15 September 2017***

Jo-Ann offers the services of part time Chief Financial Officer and Company Secretary under a Contract with her company which specifies the duties and obligations to be provided in her role. The contract may be terminated by either party by giving 14 days' notice. Ms Long receives a retainer of \$3,000 per month and an hourly rate for certain specialised duties.

### **Non-Executive Director Remuneration**

The Board's policy is for fees to Non-Executive Directors to be no greater than market rates for comparable companies for time, commitment and responsibilities and seeks to set remuneration at a level which provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders. The Board determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required.

The non-executive directors receive a fixed fee for their services. The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at a General Meeting (this is currently \$400,000 per annum). Fees for Non-Executive Directors are not linked to the performance of the Group. However to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company and given the current size, nature and opportunities of the Company, Non-Executive Directors may receive Incentive Options in order to secure their initial or ongoing holding and to retain their services.

Fees for the Chairman are presently \$36,000 per annum (2018: \$36,000) and fees for Non-Executive Directors are presently set at \$30,000 per annum (2018: \$30,000). These fees cover main board activities and Non-Executive Directors may receive additional remuneration for other services provided to the Company, including but not limited to, membership of committees.

### **Relationship between Remuneration of KMP and Shareholder Wealth**

During the Company's exploration and development phases, the Board anticipates that the Company will retain earnings (if any) and other cash resources for the exploration and development of its projects. Accordingly, the Group does not have a policy with respect to the payment of dividends and returns of capital and thus there was no relationship between the Board's policy for determining the nature and amount of remuneration of KMP and dividends paid and returns of capital by the Company.

The Board did not determine the nature and amount of remuneration of the KMP by reference to changes in the Company's shares traded between the beginning and end of the financial years. However, as noted above certain KMP are granted Incentive Options which generally will be of greater value to KMP if the value of the Company's share price increases.

### **Relationship between Remuneration of KMP and earnings**

As discussed above, the Company is currently undertaking exploration and appraisal activities, and does not expect to be undertaking profitable operations until sometime in the future. Accordingly, the Board does not consider earnings during the current and previous financial years when determining, and in relation to, the nature and amount of remuneration of KMP.

## Emoluments of Directors and Other KMP

	Short term Salary & Fees \$	Post-Employment Superannuation \$	Share-based Payments Options \$	Total \$	Performance related %
<b>Directors</b>					
Gavin Smith					
<b>2019</b>	<b>69,000</b>	-	-	<b>69,000</b>	-
2018	-	-	-	-	-
Ernest Myers					
<b>2019</b>	<b>21,000</b>			<b>21,000</b>	-
2018	-			-	-
Henry D Kennedy					
<b>2019</b>	<b>30,000</b>			<b>30,000</b>	-
2018	30,000			30,000	-
Michael J Fry					
<b>2019</b>	<b>14,800</b>			<b>14,800</b>	-
2018	36,000			36,000	-
Shelley Robertson (2)					
<b>2019</b>	<b>279,678</b>	<b>24,166</b>	-	<b>303,844</b>	-
2018	270,157	24,145	-	294,302	-
Ron Currie (1)					
<b>2019</b>	-	-	-	-	-
2018	10,000	-	-	10,000	-
<b>Other KMP</b>					
Jo-Ann Long (3)					
<b>2019</b>	<b>105,435</b>	-	-	<b>105,435</b>	-
2018	57,720	-	-	57,720	-
Emma Curnow (4)					
<b>2019</b>	<b>18,296</b>	<b>719</b>	-	<b>19,015</b>	-
2018	24,600	2,337	-	26,937	-
<b>TOTAL 2019</b>	<b>538,209</b>	<b>24,885</b>	-	<b>563,094</b>	
<b>TOTAL 2018</b>	<b>428,477</b>	<b>26,482</b>	-	<b>454,959</b>	

(1) Mr Currie resigned as a Director on 31 October 2017. (2) Mrs Robertson resigned as CEO and Managing Director on 2 April 2019. (3) Ms Long was appointed CFO and Company Secretary on 2 April 2019 and (4) Miss Curnow resigned on 3 October 2018

### Options and rights granted to KMP

During the financial year ended 30 June 2018 and 30 June 2019, the Company granted no options over unissued ordinary shares in the Company to any executives as part of their remuneration.

Details of the values of options granted, exercised or lapsed for each KMP of the Group during the past two financial years

	Value of Options granted (A) \$	Value of Options exercised (B) \$	Value of Options lapsed (C) \$	Value of Options included in remuneration report \$	Remuneration that consists of Options %
<b>2019</b>					
Nil	-	-	-	-	-
<b>2018</b>					
Emma Curnow	-	28,800	-	-	-

are as follows:

A. The value of options granted is the fair value of the options calculated at grant date using an appropriate option pricing model.

B. The value of options exercised during the year (if any) is calculated as the market price of the shares of the Company on the ASX at the close of trading on the date the options were exercised after deducting the price paid to exercise the option.

C. The value of options that lapsed during the year (if any) represents the benefit forgone and is calculated at the date of option issue using option pricing model.

For details on the valuation of the options, including models and assumptions used, please refer to Note 13 to the financial statements.

#### Option holdings of Key Management Personnel

	Held at 1 July	Granted as Remuneration	Exercised	Net Other Change	Vested and exercisable at 30 June
<b>2019</b>					
Shelley Robertson	16,000,000	-	-	-	16,000,000
<b>2018</b>					
Shelley Robertson	22,000,000	-	-	6,000,000	16,000,000
Emma Curnow	4,800,000	-	4,800,000	-	-

## Shareholdings of Key Management Personnel

	Held at 1 July	Purchases	Sales	Net Other Change	Held at 30 June
<b>2019</b>					
Michael J Fry	23,179,785	-	-	-	23,179,785
Henry D Kennedy	167,494,130	30,156,250	-	-	197,650,380
Shelley Robertson	892,357	-	255,000	-	637,357
<b>2018</b>					
Michael J Fry	12,457,592	10,722,193	-	-	23,179,785
Henry D Kennedy	162,806,630	4,687,500	-	-	167,494,130
Ronald G Currie (*)	190,000,000	-	174,400,004	-	15,599,996
Shelley Robertson	182,000	710,357	-	-	892,357
Emma Curnow	-	4,800,000	4,800,000	-	-

(\*): 140,000,000 shares held in the name of Kemprust Pty Ltd which is a company which Ronald Currie's father is a Director.

### Loans with KMP

During the year the Company entered into an agreement with Sundowner International Limited for a convertible loan facility of up to \$500,000, with an option, at Sundowner's election, to extend that amount up to \$1,500,000. At 30 June the amount of the Convertible Note was \$750,000. The loan facility has a term of twelve months, accrues interest at 8% per annum, and can be converted at Sundowner's election at a fixed price of 0.25 cents per share, or at the Company's election at a fixed price of 0.2 cents per share. Sundowner is a related entity of Company director David Kennedy.

No other loans were provided to or received from Key Management Personnel during the year ended 30 June 2019 (2018: nil).

### Other Transactions with KMP

Nil.

### End of Remuneration Report.

## 13. SHARE OPTIONS

At 30 June 2019 unissued ordinary shares under options were:

Expiry date	Exercise price	Number of options
30 June 2020	\$0.006	5,200,000
<b>Total outstanding as at 30 June 2019</b>		<b>5,200,000</b>

## 14. DIRECTORS' MEETINGS

The number of Board meetings held during the year and the number of meetings attended by each Director was as follows:

		Number eligible to attend	Number attended
Mr Ernest Anthony Myers	(Non-Executive Chairman)	1	1
Mr Henry David Kennedy	(Non-Executive Director)	2	2
Mr Iain Smith	(Managing Director)	-	-
Mr Michael John Fry	(Non-Executive Chairman)	1	1
Shelley Robertson	(Executive Director)	2	2

The Board also dealt with various matters by circular resolution, as such ten circular resolutions were signed.

### Committee membership

As at the date of this report, the Company did not have any formal committees.

**15. AUDITOR'S INDEPENDENCE DECLARATION**

The auditor's independence declaration is set out on page 15 and forms part of the Directors' Report for the year ended 30 June 2019.

**16. NON-AUDIT SERVICES**

The Company's auditor, Rothsay Auditing did not provide any non-audit services during the year (2018: nil).

Dated this 27<sup>th</sup> day of September 2019 in accordance with a resolution of the Directors and signed for and behalf of the Board by Mr Ernest Anthony Myers

**Signed**

Ernest Anthony Myers

Non-Executive Director and Chairman

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# ROTHSAY

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The Directors  
Norwest Energy NL  
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Perth WA 6872

Directors

In accordance with Section 307C of the Corporations Act 2001 (the "Act") I hereby declare that to the best of my knowledge and belief there have been:

- i) no contraventions of the auditor independence requirements of the Act in relation to the audit of the 30 June 2019 financial statements; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.



**Graham Swan FCA (Lead auditor)**

**Rothsay Auditing**

Dated 27 September 2019



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# Corporate Governance Statement

This Corporate Governance Statement has been prepared on the basis of disclosure under the 3<sup>rd</sup> Edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations ("ASX Principles and Recommendations").

The Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for corporate governance practices, taking into account factors such as the size of the Company and the Board, resources available and activities of the Company. Where, after due consideration, the Company's corporate governance practices depart from the ASX Principles and Recommendations, the Board has offered full disclosure of the nature of and reason for the departure.

The Company's website [www.norwestenergy.com.au](http://www.norwestenergy.com.au) contains a corporate governance section that includes copies of the Company's corporate governance policies and practices mentioned in this statement.

Recommendation		Comply Yes/No
<b><u>Principle 1 – Lay solid foundations for management and oversight</u></b>		
1.1	Disclose the respective roles and responsibilities of the Board and management and disclose those matters expressly reserved to the Board and those delegated to management.	Yes
1.2	Undertake appropriate checks before appointing a Director or putting forward for their election and provide security holders with all material information in its possession relevant to their election or re-election as a director.	Yes
1.3	Written agreement with each director and senior executive setting out the terms of their appointment.	Yes
1.4	The Company Secretary should be accountable to the Board through the Chair, on all matters to do with the proper functioning of the Board.	Yes
1.5	Have a diversity policy with the measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them. The proportion of men and woman on the Board, Senior Management and the whole organisation should be disclosed.	Yes
1.6	Disclose a process for periodically evaluating the performance of the Board, its committees and individual directors and disclose whether a performance evaluation was undertaken during the reporting period.	Yes
1.7	Disclose a process for periodically evaluating the performance of the senior executives and disclose in relation to each reporting period whether an evaluation took place during the reporting period.	Yes
<b><u>Principle 2 – Structure the Board to add value</u></b>		
2.1	If the entity does not have a Nomination Committee disclose that fact and the processes it employs to address board succession issues and to ensure the Board has the correct mix of directors to enable it to discharge its duties and responsibilities effectively.	Yes
2.2	Disclose a Board skills matrix setting out the mix of skills and diversity that the Board has or would like to achieve.	Yes
2.3	Disclose the names of the independent Directors, along with the length of service of each director.	Yes
2.4	A majority of the Board should be independent.	No
2.5	The Chair of a Board should be an independent director and should not be the same person as the CEO.	Yes
2.6	Have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	Yes
<b><u>Principle 3 – Act ethically and responsibly</u></b>		
3.1	Establish a code of conduct for its directors, senior executives and employees.	Yes

#### **Principle 4 – Safeguard integrity in corporate reporting**

- |     |   |     |
|-----|---|-----|
| 4.1 | If the entity does not have an Audit Committee disclose that fact and the processes it employs that independently safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.   | Yes |
| 4.2 | Before the Board approves its' financial statements, it should receive from its CFO and CEO a declaration that in their opinion the financial records have been maintained properly and that the financial records comply with the appropriate accounting standards and the opinion has been formed on the basis of a sound system of risk management and internal control. | Yes |
| 4.3 | Ensure that its external auditor attends its AGM and is able to answer questions from security holders relevant to the audit.   | Yes |

#### **Principle 5 – Make timely and balanced disclosure**

- |     |   |     |
|-----|---|-----|
| 5.1 | The entity should have a written policy for complying with its continuous disclosure obligations under the Listing Rules. | Yes |
|-----|---|-----|

#### **Principle 6 – Respect the rights of the shareholders**

- |     |  |     |
|-----|--|-----|
| 6.1 | Provide information about the entity and its governance to investors via its website.                                | Yes |
| 6.2 | Design and implement an investor relations program to facilitate effective two-way communication.                    |     |
| 6.3 | Disclose the policies and processes to facilitate and encourage participation at meetings of shareholders.           | Yes |
| 6.4 | Give shareholders the option to receive and send communications to the entity and its share registry electronically. | Yes |

#### **Principle 7 – Recognise and manage risk**

- |     |   |     |
|-----|---|-----|
| 7.1 | If the entity does not have a Risk Committee disclose that fact and the processes it employs for overseeing the entity's risk management framework.   | Yes |
| 7.2 | The Board should review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and disclose when the review is undertaken.                                  | Yes |
| 7.3 | If the entity does not have an internal audit function, disclose that fact and the processes it employs for evaluating and improving the effectiveness of its risk management and internal control processes. | Yes |
| 7.4 | Disclose whether it has any material exposure to economic, environmental and social sustainability risks and if it does, how it manages or intends to manage those risks.                                     | Yes |

#### **Principle 8 – Remunerate fairly and responsibly**

- |     |  |     |
|-----|--|-----|
| 8.1 | If the entity does not have a Remuneration Committee disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior management and ensuring that such remuneration is appropriate. | Yes |
| 8.2 | Separately disclose its policies and practices regarding the remuneration of non-executive directors, executive directors and other senior executives.   | Yes |
| 8.3 | If the entity has an equity-based remuneration scheme, it should have a policy on whether participants are permitted to enter into derivative or other transactions to limit their risk.   | Yes |

#### **Further information required and non-compliance explanations**

##### ***Recommendation 1.5 - Diversity Policy with measurable objectives***

The Company's primary objectives with regard to diversity are as follows:

- the Company's composition of the Board, executive, management and employees to be as diverse as practicable; and
- to provide equal opportunities for all positions within the Company and continue the Company's commitment to employment based on merit.

The measurable objectives set by the Company with regard to diversity have been met, as described below:

- blend of skills – wide range of backgrounds; geology, engineering, finance and corporate experience;
- cultural backgrounds – Australian, American and South African;
- gender – both male and female members; and
- age – the age range spans over 25 years.

The above points relate to the composition of the Board and full-time employees.

The Company's annual reporting on the percentage of females in the organisation is as follows:

	% Female	
	2019	2018
Full Time Employees	100%	100%
Executive Employees & Board Members	25%	50%

#### ***Recommendation 1.6 and 1.7 – Performance evaluation***

During the year an evaluation of the Board and its individual directors was not carried out. The Board and management's suitability, overall structure and composition to carry out the Company's objectives is however, discussed and reviewed on an as-required basis.

Performance evaluation of the CEO, senior executives and employees is undertaken annually through a performance appraisal process which involves reviewing and assessment of performance against agreed corporate, industry and individual key performance indicators.

#### ***Recommendation 2.1 – Nomination Committee***

The Board does not have a separate Nomination Committee, rather the full Board considers those matters that would usually be the responsibility of a Nomination Committee. Given the size and composition of the Board, it is not practicable for a separate committee to be formed.

To assist it in carrying out its function in relation to nomination matters, the Board has adopted a Nomination Committee Charter which includes the following responsibilities:

- board succession planning;
- performance evaluation of the Board and individual directors;
- director induction and professional development; and
- appointment and re-election of directors.

#### ***Recommendation 2.2 – Board skills matrix – composition of the Board***

The names of the Directors of the Company in office at the date of this statement and information regarding Director's skills, experience and expertise are set out in the Directors' Report. The Company seeks to maintain a Board which brings together a diverse range of skills, experience, and perspectives to support the strategic direction of the Company and enable effective management oversight and governance.

The below is the preferred combination of capabilities, skills and experience for the Board:

- technical disciplines of upstream oil and gas exploration, development and production;
- finance, taxation, treasury and accounting;
- company strategy and business planning;
- risk and governance knowledge;
- business growth and corporate development;
- corporate social responsibility including sustainability and community stakeholder;
- local and international experience; and
- ASX listed public company administration.

Each of these skills are currently represented on the Board and the Board considers that collectively it has the appropriate range of skills and experience to direct the Company.

### **Recommendation 2.3– Name of independent Directors and length of service of each Director**

In considering the independence of a director, the “Factors relevant to assessing the independence of a director” in Box 2.3 of the ASX Principles and Recommendations (“Independence Criteria”) have been applied.

### **Recommendation 2.4 – Majority of the Board should be independent**

As at 30 June 2019, Ernest Anthony Myers is the only Director considered to be independent.

Given the size and scope of the Company's operations the Board considers that it is appropriately structured to discharge its duties in a manner that is in the best interests of the Company. Further, mechanisms are in place so that if a director considers it necessary, they may obtain independent professional advice.

### **Recommendation 4.1 – Audit Committee**

The Board does not have a separate Audit Committee, rather the full board fulfils the function of an audit committee and therefore no separate audit committee has been formed in accordance with the compositional recommendation. Given the size and composition of the Board, it is not practicable that a separate audit committee be formed.

To assist it in carrying out its function in relation to audit matters, the Company has adopted an Audit Committee Charter to assist it to fulfil its role as the Audit Committee, which includes the following responsibilities:

- monitor and review the integrity of the financial reporting of the Company;
- review the Company's internal financial control system; and
- monitor, review and oversee the external audit function including matters concerning appointment, remuneration, independence and non-audit services.

The Charter provides that independent directors may meet with the external auditor.

### **Recommendation 7.1 – Risk Committee**

The Company believes that it is crucial for all Board members to be a part of overseeing the risk management process, and as such the Board has not established a separate committee to oversee risk. This along with the size and composition of the Board has meant that the full Board fulfils the function of a risk committee. The Board is responsible for reviewing the Company's policies on risk oversight and management and satisfying itself that management has developed a sound system of risk management and internal control.

### **Recommendation 7.2 – Risk Management Framework review**

The Company takes a proactive approach to risk management. The Board is responsible for ensuring that risks and opportunities are identified on a timely basis and that the Company's objectives and activities are aligned with the risks and opportunities identified by the Board. The Company has a risk management policy in place.

The Board is ultimately responsible for risk management; however implementation of the risk management system and day-day management of risk is the responsibility of the CEO, with the assistance of senior management. Management reports to the Board annually, or more frequently as required, on the Company's key risks and the extent to which it believes these risks are being managed. During 2019, the Board reviewed the overall risk profile for the Company and received input from management on the effectiveness of the Company's management of its material business risks.

The Board has a number of active mechanisms in place to ensure that management's objectives and activities are aligned with the business risks identified. These include the following:

- Implementation of approved operating plans and cash flow forecasts and Board monitoring of progress against these plans and forecasts;
- Management reporting on specific business risks, including matters such as environmental issues and occupational health and safety concerns.
- The Company has advised each director, manager and employee that they must comply with a set of ethical standards maintaining appropriate core company values and objectives. Such standards ensure shareholder value is maintained and developed. Standards cover legal compliance, conflict resolution, employment best practices, privileged information and fair dealing.

**Recommendation 7.3 – Internal Audit function or process for reviewing internal controls**

The Company does not have a dedicated internal audit function, however strong internal control policies and procedures are in place to effectively manage potential risks and detect any control breakdowns. These are reviewed (and if necessary improved) on an annual basis, as well as when any new risks are identified, or changes occur in the business or industry.

The processes for the review are as follows:

- External auditors independently evaluating the Company's internal control environment and its compliance with the International Financial Reporting Standards on an annual basis;
- Ongoing oversight of strategic matters by executive management and of operational matters ensuring that risks identified are assessed and proactively managed;
- Written internal control assurance from the CEO and CFO prior to sign off of financial statements by the Board; and
- Monthly reporting and review of financial and budgetary information.

**Recommendation 7.4 – Material exposure to economic, environmental and social sustainability risks**

The Company has identified a series of business risks (economic, environmental and social sustainability risks) which the Group believes to be inherent in the industry.

Economic risks

- *Ability to gain additional funding or a farm-out partner*

The Company is not in production as yet and the development of its permits will require substantial additional financing. Failure to obtain sufficient financing may result in delaying or indefinite postponement of exploration and any development or a loss of interest. However, the Board is experienced in capital markets and financing resource projects as well as having an extensive reach for potential farm-in partners (as evidenced during the year by successfully farming out 75% of TP/15 and being free carried for the costs associated with drilling the Xanadu-1 well).

There are various other economic risks including; commodity risk, exchange rate risk and market risk (these risks are examined in Note 7).

Environmental and social sustainability risks

- *Impact on the environment and community from Company activities*

The Board and management are committed to developing and building a sustainable business, ensuring the Company is an active and responsible member of the communities in which we operate. Corporate environmental policies and procedures are in place and communicated to and adhered to by all employees.

External impact-assessment surveys and audits are conducted using third-party consultants who are specialists in their field.

- *Native title risk in relation to claims over the permits held by the Company*

Norwest works closely with the respective parties associated with any claim to come to a mutually beneficial agreement.

**Recommendation 8.1 – Remuneration Committee**

The Board does not have a separate Remuneration Committee, rather the full Board fulfils the function of a remuneration committee and therefore no remuneration committee has been formed in accordance with the compositional recommendation. Given the size and composition of the Board, it is not practicable that a separate remuneration committee be formed.

To assist it in carrying out its function in relation to remuneration matters, the Company has adopted a Remuneration Committee Charter to assist it to fulfil its role as the Remuneration Committee, which states the function of the committee is to assist the Board in fulfilling its corporate governance responsibilities with respect to remuneration by reviewing and making appropriate recommendations on:

- Remuneration packages of directors and senior executives; and
- Employee incentive and equity-based plans.

***Recommendation 8.2 – Remuneration policies and practices***

The Company’s remuneration policy has been developed by taking into account the size of the management team, the nature and stage of development of the current operations and market conditions and comparable salary levels for companies of a similar size and operating in a similar sector.

For details of the Company’s policies and practices regarding the remuneration of directors and senior executives refer to the Remuneration Committee Charter on the Company’s website as well as the Remuneration Report included within the Directors’ Report which includes the remuneration paid to Key Management Personnel and other relevant information.

***Recommendation 8.3 – Transactions to limit exposure to economic risk from participating in equity-based remuneration schemes***

The Company prohibits executives entering into arrangements to limit their exposure to Incentive Options granted as part of their remuneration package.

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## INDEPENDENT AUDIT REPORT TO THE MEMBERS OF NORWEST ENERGY NL

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Norwest Energy NL ("the Company") and its subsidiaries (the Group) which comprises the consolidated statement of financial position as at 30 June 2019, 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 on that date and notes to the financial statements, including a summary of significant accounting policies and the directors' declaration of the Company.

In our opinion the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under these standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of this report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the "Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Key Audit Matter

##### Exploration and evaluation expenditure

The group has incurred significant exploration and evaluation expenditure which has been capitalised. As the carrying value of exploration and evaluation expenditure represents a significant asset of the Group we



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considered it necessary to assess whether facts and circumstances exist to suggest that the carrying amount of this asset may exceed its recoverable amount.

In doing so we carried out the following work in accordance with the guidelines set out in AASB 6 *Exploration for and Evaluation of Mineral Resources*. Our procedures included but were not limited to the following:

- We obtained evidence that the Group has valid rights to explore in the licence areas represented by the capitalised exploration and evaluation expenditure;
- We enquired of management and reviewed work programs to ensure that further expenditure on the licence areas in the Group's areas of interest was planned and cross referenced these discussions to ASX announcements and minutes of directors' meetings;
- We tested a sample of current year expenditure to source documents; and
- We obtained an understanding of the key processes associated with management's review of the carrying values of capitalised exploration and evaluation expenditure and challenged management's assertion that the carrying amount of the capitalised expenditure was likely to be recovered in full from successful development or sale.

We have also assessed the appropriateness of the disclosures included in Notes 10, 23 and 24 to the financial report.

#### ***Other Information***

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If based on the work we have performed we conclude there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### ***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 the 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 preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or cease operations, or have no realistic alternative but to do so.



### ***Auditor's Responsibility for the Audit of the Financial Report***

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

**A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/Home.aspx](http://www.auasb.gov.au/Home.aspx)**

We communicate with the directors regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe those matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communications.

### **Report on the Remuneration Report**

#### ***Opinion on the Remuneration Report***

We have audited the remuneration report included in the directors' report for the year ended 30 June 2019.

In our opinion the remuneration report of Norwest Energy NL for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

#### ***Responsibilities***

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.

**Rothsay Auditing**

Dated 27 September 2019

**Graham Swan FCA  
Partner**

# Directors' Declaration

The Directors of the Company declare that, in the opinion of the Directors:

- (a) The attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the financial position and performance of the consolidated entity; and
  - (ii) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements.
- (b) The financial statements and notes thereto also comply with International Financial Reporting Standards, as disclosed in Note 1 and other mandatory professional reporting requirements.
- (c) The Directors have been given the declarations required by s.295A of the *Corporations Act 2001*.
- (d) There are reasonable grounds to believe that Norwest Energy NL will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors made pursuant to s.295(5) of the *Corporations Act 2001*.

Dated in Perth on this 27<sup>th</sup> day of September 2019.

**Signed**

Ernest Anthony Myers

Non-Executive Director and Chairman

# Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2019

	Note	Consolidated Entity	
		2019 \$	2018 \$
<b>Continuing Operations</b>			
Interest income	2	5,019	5,543
Oil Sales	2	307,156	44,657
Other Income	2	195,050	265,328
		<b>507,225</b>	<b>315,528</b>
Depreciation		(6,884)	(13,532)
Audit fees	19	(17,500)	(21,500)
Legal expense		(83,570)	(20,117)
Amortisation of producing assets	10	-	(53,067)
Operating costs to P & L	10	(509,629)	-
Employee, consulting and administration expenses		(766,967)	(460,321)
(Loss) from continuing operations before income tax		<b>(877,325)</b>	<b>(253,009)</b>
Income tax benefit	4	-	-
(Loss) from continuing operations for the year		<b>(877,325)</b>	<b>(253,009)</b>
<b>Other Comprehensive Income</b>			
Exchange differences on translation of foreign operations		-	-
Net change in fair value of available for sale financial assets transferred to profit and loss		-	-
<b>Total Comprehensive (Loss) attributable to Members of Norwest Energy NL</b>		<b>(877,325)</b>	<b>(253,009)</b>
Profit/(Loss) per share attributable to the ordinary equity holders of the company:			
Basic and diluted earnings/(loss) per share	5	<b>(0.01)</b>	(0.01)

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

# Statement of Financial Position

## as at 30 June 2019

	Note	Consolidated Entity	
		2019 \$	2018 \$
<b>Current Assets</b>			
Cash and cash equivalents	6	553,250	1,630,711
Trade and other receivables	8	79,490	24,424
Other financial assets		-	9,266
<b>Total Current Assets</b>		<b>632,740</b>	<b>1,664,401</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	9	8,065	9,884
Exploration and evaluation expenditure	10	6,752,573	5,772,741
Investments		-	-
<b>Total Non-Current Assets</b>		<b>6,760,638</b>	<b>5,782,625</b>
<b>Total Assets</b>		<b>7,393,378</b>	<b>7,447,026</b>
<b>Current Liabilities</b>			
Trade and other payables	11	240,215	38,757
Provision for Annual Leave		4,317	18,028
<b>Total Current Liabilities</b>		<b>244,532</b>	<b>56,785</b>
<b>Non-Current Liabilities</b>			
Borrowings	12	750,000	-
Provision for Long Service Leave		10,304	43,374
<b>Total Non-Current Liabilities</b>		<b>760,304</b>	<b>43,374</b>
<b>Total Liabilities</b>		<b>1,004,836</b>	<b>100,159</b>
<b>Net Assets</b>		<b>6,388,542</b>	<b>7,346,867</b>
<b>Equity</b>			
Contributed equity	13	59,645,137	59,645,137
Reserves	14(b)	10,400	91,400
Accumulated losses	14(a)	(53,266,995)	(52,389,670)
<b>Total Equity</b>		<b>6,388,542</b>	<b>7,346,867</b>

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

# Statement of Changes in Equity for the year ended 30 June 2019

Consolidated Entity	Contributed Equity \$	Share-Based Payment Reserve \$	Accumulated Losses \$	Total Equity \$
<b>Balance at 1 July 2019</b>	<b>59,645,137</b>	<b>91,400</b>	<b>(52,389,670)</b>	<b>7,346,867</b>
<b>Comprehensive income for the year</b>				
Profit/(Loss) for the year	-	-	(877,325)	(877,325)
<b>Total Comprehensive Income for the Year</b>	<b>-</b>	<b>-</b>	<b>(877,325)</b>	<b>(877,325)</b>
Transactions with owners in their capacity as owners:				
Share issue (net of costs)	-	-	-	-
Share options expired/exercised (1)	-	(81,000)	-	(81,000)
Share based payments expense	-	-	-	-
<b>Balance at 30 June 2019</b>	<b>59,645,137</b>	<b>10,400</b>	<b>(53,266,995)</b>	<b>6,388,542</b>
<b>Balance at 1 July 2018</b>	<b>59,345,391</b>	<b>101,000</b>	<b>(52,136,661)</b>	<b>5,309,730</b>
<b>Comprehensive income for the year</b>				
Profit/(Loss) for the year	-	-	(253,009)	(253,009)
<b>Total Comprehensive Income for the Year</b>	<b>-</b>	<b>-</b>	<b>(253,009)</b>	<b>(253,009)</b>
Transactions with owners in their capacity as owners:				
Share issue (net of costs)	2,299,746	-	-	2,299,746
Share options expired/exercised (2)	-	(9,600)	-	(9,600)
Share based payments expense	-	-	-	-
<b>Balance at 30 June 2018</b>	<b>59,645,137</b>	<b>91,400</b>	<b>(52,389,670)</b>	<b>7,346,867</b>

(1) During the year options valued at \$81,000 expired. (2) During 2017 Ms Curnow was granted options valued at \$9,600 as part of her remuneration package and included as part of the Share Payments Reserve. On exercising the options Ms Curnow paid \$28,800 to the company. The Share Payments Reserve was adjusted by \$9,600 to reflect the value of the transaction.

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



# Notes to the Financial Statements

## 1 ABOUT THIS FINANCIAL REPORT

### Reporting Entity

This financial report of Norwest Energy NL ('the Company') for the year ended 30 June 2019 comprises the Company and its subsidiary (collectively referred to as 'the consolidated entity' or 'Group'). Norwest Energy NL is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The notes to the financial statements are organised into the following sections:

- (a) Key Performance:** Provides a breakdown of the key individual line items in the statement of comprehensive income that is most relevant to understanding performance and shareholder returns for the year:

**Notes**

- 2 Revenue from continuing operations
- 3 Segment information
- 4 Income tax expense
- 5 Profit/(Loss) per share

- (b) Financial Risk Management:** Provides information about the Consolidated Entity's exposure and management of various financial risks and explains how these affect the Consolidated Entity's financial position and performance:

**Notes**

- 6 Cash and cash equivalents
- 7 Financial risk management

- (c) Other Assets and Liabilities:** Provides information on other balance sheet assets and liabilities that do not materially affect performance or give rise to material financial risk:

**Notes**

- 8 Trade and other receivables
- 9 Property, Plant and equipment
- 10 Exploration and evaluation expenditure
- 11 Trade and other payables
- 12 Borrowings

- (d) Capital Structure:** This section outlines how the Consolidated Entity manages its capital structure and related financing costs (where applicable), as well as capital adequacy and reserves. It also provides details on the dividends paid by the Company:

**Notes**

- 13 Contributed equity
- 14 Reserves and accumulated losses
- 15 Share-based payments

- (e) Consolidated Entity Structure:** Provides details and disclosures relating to the parent entity of the Consolidated Entity, controlled entities, investments in associates and any acquisitions and/or disposals of businesses in the year. Disclosure on related parties is also provided in the section:

**Notes**

- 16 Parent entity information
- 17 Investment in controlled entities
- 18 Key Management Personnel Disclosures & Related party transactions

- (f) Other:** Provides information on items which require disclosure to comply with Australian Accounting Standards and other regulatory pronouncements, however, are not considered significant in understanding the financial performance or position of the Consolidated Entity:

**Notes**

- 19 Remuneration of Auditors
- 20 Commitments for expenditure
- 21 Contingencies
- 22 Events occurring after reporting period

## 1a Basis of Preparation

These general-purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the *Corporations Act 2001*. Norwest Energy NL is a for-profit entity for the purposes of preparing the financial statements.

### Compliance with IFRSs

The financial statements of Norwest Energy NL also comply with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

### New Accounting standards and interpretations

#### *Standards and Interpretations applicable to 30 June 2019*

In the year ended 30 June 2019, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the current annual reporting period. As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Company and, therefore, no material change is necessary to Group accounting policies.

#### *Standards and Interpretations in issue not yet adopted*

The Directors have also reviewed all Standards and Interpretations in issue not yet adopted for the year ended 30 June 2019. As a result of this review the Directors have determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the Company and, therefore, no change is necessary to Group accounting policies.

## 1b Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of the Company as at 30 June 2019 and the results of its subsidiaries for the year then ended. The Company and its subsidiaries are referred to in this financial report as Reward or the Consolidated Entity.

All inter-company balances and transactions between entities in the Consolidated Entity, including any unrealised profits or losses, have been eliminated on consolidation.

## 1c GST

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated as inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

## 2 REVENUE FROM CONTINUING OPERATIONS

Interest income  
Oil sales  
JV Operator fees and other recoveries  
Research and development tax rebate received

	2019 \$	2018 \$
Interest income	5,019	5,543
Oil sales	307,156	44,657
JV Operator fees and other recoveries	195,050	265,328
Research and development tax rebate received	-	-
	<b>507,225</b>	<b>315,528</b>

### 3 SEGMENT INFORMATION

The Group has adopted AASB 8 Operating Segments which requires operating segments to be identified on the basis of internal reports of the Group that are reviewed by the chief operating decision-maker in order to allocate resources to the segment and to assess its performance.

The Board of Norwest reviews internal reports prepared as Consolidated financial statements and strategic decisions of the Group are determined upon analysis of these internal reports. During the period the Group operated in one business segment, being the oil and gas sector. Accordingly, under the management approach outlined only one operating sector has been identified and no further disclosures are required in the notes to the Consolidated financial statements.

### 4 INCOME TAX EXPENSE

(a) The major components of income tax expense are

#### Income statement

*Current income tax:*

Current income tax benefit

*Deferred income tax:*

Relating to origination and reversal of temporary differences

Unused tax losses not recognised as a DTA

Income tax (expense)/income reported in the income statement

	2019 \$	2018 \$
	599,645	362,977
	(336,180)	(293,650)
	(263,465)	(69,327)
	-	-

The aggregate amount of income tax attributable to the financial period differs from the amount calculated on the operating loss.

The differences are recorded as follows:

#### Accounting loss

Prima facie tax payable at 27.5% (2018:27.5%)

Add tax effect of items not brought to account:

Non-deductible and non-assessable permanent items

Tax losses not brought to account

	2019 \$	2018 \$
	(877,321)	(253,009)
	(241,605)	(69,577)
	(21,860)	250
	263,465	69,327
	-	-

## (b) Deferred income tax

Deferred income tax at 30 June relates to the following:

### *Deferred tax liabilities*

Tax effect of exploration expenses  
Set-off against carry forward losses  
Deferred tax liability balance

### *Deferred tax assets*

Tax value of carry forward losses  
Set off against deferred tax liability  
Non-recognition of deferred tax asset  
Deferred tax assets  
**Deferred tax asset balance**

	2019 \$	2018 \$
	1,787,203	1,564,974
	(1,787,203)	(1,564,974)
	-	-
	11,786,316	11,645,594
	(1,787,203)	(1,564,974)
	(10,050,070)	(10,080,620)
	-	-
	9,838,519	9,334,838
	1,947,797	1,947,779
	11,786,316	11,282,617

## (c) Tax losses

### *Deferred tax assets*

Tax losses – revenue  
Tax losses – capital

At 30 June 2019, the Consolidated entity has \$40,678,803 (2018: \$42,347,614) of tax losses that are available indefinitely for offset against future taxable profits of the Company. A net deferred tax asset balance has not been recognised on the Statement of Financial Position in respect of the amount of these losses.

The recognition and utilisation of losses is subject to the loss recoupment rules being satisfied. The potential deferred tax asset will only be obtained if:

- assessable income is derived of a nature and of amount sufficient to enable the benefit from the deductions to be realised or the benefit can be utilised by the Company and/or the Consolidated entity providing that;
- the conditions for deductibility imposed by the law are complied with; and
- no changes in tax legislation adversely affect the realisation of the benefit from the deductions.

## (d) Tax consolidation legislation

The Company had not elected to consolidate for tax purposes at balance date.

## 5 PROFIT/(LOSS) PER SHARE

Basic loss per share

2019 Cents Per Share	2018 Cents Per Share
(0.01)	(0.01)

The profit/(loss) for the year and the weighted average number of ordinary shares used in the calculation of basic loss per share are as follows:

Loss for the year after income tax

2019 \$	2018 \$
(877,325)	(253,009)

Weighted average number of ordinary shares for the purposes of basic earnings per share

2019 No.	2018 No.
3,382,092,727	3,162,238,617

## 6 CASH AND CASH EQUIVALENTS

### 6a Reconciliation of Cash

For the purposes of the Statements of Cash Flows, cash includes cash on hand and in banks. Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Cash and short-term deposits

### 6b Reconciliation of Net Cash used In Operating Activities to Operating Profit/(Loss) after Income Tax

Profit/(Loss) for the year

Depreciation

Exploration costs expensed included in investing activities

Equity settled share-based payment

Change in assets and liabilities during the financial year:

Trade and other receivables

Investments and assets

Provisions

Borrowings

Trade and other payables

**Net cash inflow/(outflow) from operating activities**

	2019 \$	2018 \$
Cash and short-term deposits	553,250	1,630,711
Profit/(Loss) for the year	(877,325)	(253,009)
Depreciation	6,884	13,532
Exploration costs expensed included in investing activities	-	-
Equity settled share-based payment	(81,000)	-
Change in assets and liabilities during the financial year:		
Trade and other receivables	(55,065)	46,831
Investments and assets	9,266	15,867
Provisions	(33,074)	46,252
Borrowings	750,000	-
Trade and other payables	201,458	(189,602)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>(92,562)</b>	<b>(320,129)</b>

## 7 FINANCIAL RISK MANAGEMENT

The consolidated entity's activities expose it to a variety of financial risks: market risk, credit risk, liquidity risk and cash flow interest rate risk. The consolidated entity'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 consolidated entity.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

### Financial Assets

Cash and cash equivalents

Loans and receivables

### Total Financial Assets

### Financial Liabilities

Financial liabilities at amortised cost

Trade and other payables

### Total Financial Liabilities

Note	2019 \$	2018 \$
6a	553,250	1,630,711
8	79,490	24,424
	<b>632,740</b>	<b>1,655,135</b>
10	240,215	38,757
	<b>240,215</b>	<b>38,757</b>

Risk management is carried out by the Board of Directors, who identify, evaluate and manage financial risks as they consider appropriate.

- 7a **Market Risk**  
 (i) **Cash Flow Interest Rate Risk**  
 Refer to (d) below.

**7b Credit Risk**

The Group does not have any significant concentrations of credit risk. Credit risk is managed by the Board and arises from cash and cash equivalents as well as credit exposure including outstanding receivables and committed transactions.

All cash balances held at banks are held at internationally recognised institutions. The majority of receivables are immaterial to the Group. Given this, the credit quality of financial assets that are neither past due or impaired can be assessed by reference to historical information about default rates. The maximum exposure to credit risk at reporting date is the carrying amount of the financial assets as summarised at the start of this note.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates. Financial assets that are neither past due and not impaired are as follows:

	2019 \$	2018 \$
<b>Cash and cash equivalents</b>		
'AA' S&P rating	553,250	1,630,711

**7c Liquidity Risk**

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and, the availability of funding through the ability to raise further equity or through related party entities. Due to the dynamic nature of the underlying businesses, the Board aims at maintaining flexibility in funding through management of its cash resources. The Group has no financial liabilities at the year-end other than normal trade and other payables incurred in the general course of business. All financial liabilities mature in less than 6 months.

**7d Cash Flow Risk**

As the Group has significant interest-bearing assets in the form of cash, the Group's income and operating cash flows are exposed to changes in market interest rates.

Based on the year-end balances, a 1% increase in interest rates would have decreased the consolidated loss by \$5,533 (2018: \$16,300) and increased the cash balances by a corresponding amount. There were no other amounts included in Net Assets subject to material interest rate risks.

	2019 \$	2018 \$
<b>8 TRADE AND OTHER RECEIVABLES</b>		
GST receivable	4,730	1,235
Trade and other receivables	74,760	23,189
	<b>79,490</b>	<b>24,424</b>

No receivables are impaired or past due but not impaired. Refer to Note 7 for Financial Risk considerations. The carrying value of all receivables approximates their fair value.

## 9 PLANT AND EQUIPMENT

Office Furniture and Equipment at cost  
 - Accumulated depreciation

2019 \$	2018 \$
262,894 (254,829)	257,827 (247,944)
<b>8,065</b>	<b>9,883</b>

### Movements in carrying amounts

Movement in the carrying amounts for each class of plant and equipment between the beginning and the end of the current financial year.

#### 2019

**Balance at the beginning of the year**  
 Additions  
 Disposals  
 Depreciation  
**Balance at end of the Year**

Office Furniture and Equipment \$	Total \$
9,883	9,883
5,066	5,066
-	-
(6,884)	(6,884)
<b>8,065</b>	<b>8,065</b>

#### 2018

**Balance at the beginning of the year**  
 Additions  
 Disposals  
 Depreciation  
**Balance at end of the Year**

17,731	17,731
5,684	5,684
-	-
( 13,532)	(13,532)
<b>9,883</b>	<b>9,883</b>

## 10 EXPLORATION AND EVALUATION EXPENDITURE

### Exploration and evaluation phase:

Carrying amount at the beginning of the year  
 Additions  
 Exploration expenditure impairment

**Carrying amount at the end of the year**

2019 \$	2018 \$
<b>6,752,573</b>	<b>5,772,741</b>
<b>5,560,473</b>	<b>4,950,269</b>
979,832	610,204
-	-
<b>6,540,305</b>	<b>5,560,473</b>
212,268	265,335
509,629	-
(509,629)	-
-	(53,067)
-	-
<b>212,268</b>	<b>212,268</b>

### Production phase:

Carrying amount at the beginning of the year  
 Additions  
 Operating costs to P & L  
 Amortisation of production costs  
 Production expenditure impairment

**Balance at 30 June 2019**

The recoverability of the carrying amounts of exploration and evaluation assets is dependent on the successful development and commercial exploitation or sale of the respective area of interest. This is assessed at balance date on an annual basis. During the year the Jingemia field began producing oil. The carrying cost of the asset will be amortised over the life of the producing field, which is considered to be 5 years.

**11 TRADE AND OTHER PAYABLES**

Trade Payables  
Accrued Expenses  
Other payable

	2019 \$	2018 \$
	193,807	2,043
	34,900	23,525
	11,508	13,189
	<b>240,215</b>	<b>38,757</b>

**12 BORROWINGS**

Convertible Note

	2019 \$	2018 \$
	750,000	-
	<b>750,000</b>	<b>-</b>

During the year the Company entered into an agreement with Sundowner International Limited (Sundowner) for a convertible loan facility of up to \$750,000, with an option, at Sundowner's election, to extend that amount up to \$1,500,000. At 30 June the amount of the Convertible Note was \$750,000. The loan facility has a term of twelve months, accrues interest at 8% per annum, and can be converted at Sundowner's election at a fixed price of 0.25 cents per share, or at the Company's election at a fixed price of 0.2 cents per share. Sundowner is a related entity of Company director David Kennedy.

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### 13 CONTRIBUTED EQUITY

#### 13a Issued capital

**3,382,092,727** fully paid ordinary shares (30 June 2018: 3,382,092,727)

2019 \$	2018 \$
<b>59,645,137</b>	<b>59,645,137</b>

#### 13b Movements in Ordinary Shares during the past two years

Date	Details	No. of Ordinary Shares	Issue price \$	\$
01-Jul-18	<b>Opening balance</b>	<b>3,382,092,727</b>	-	<b>59,645,137</b>
30 Jun-19	<b>Closing balance</b>	<b>3,382,092,727</b>		<b>59,645,137</b>
01-Jul-17	<b>Opening balance</b>	<b>2,673,902,727</b>	-	<b>57,345,391</b>
04-Aug-17	Share placement	159,390,000	0.0032	510,048
04-Aug-17	Share placement	167,500,000	0.0032	536,000
17-Sep-17	Share Issue	4,800,000	0.008	38,400
06-Dec-17	Share placement	250,000,000	0.004	1,000,000
10-Feb-18	Share issue	60,000,000	0.0024	144,000
13-Feb-18	Share Issue	66,500,000	0.0024	159,600
30 Jun-18	Share issue costs	-	-	(88,302)
30 Jun-18	<b>Closing balance</b>	<b>3,382,092,727</b>		<b>59,645,137</b>

#### 13c Terms of Conditions of Ordinary Shares

Ordinary shares have 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.

#### 13d Unissued Capital - Options

There are no unissued Options at 30 June 2019.

#### 13e Capital Risk Management

The Group defines its Capital as total equity of the Group, being \$6,388,542 for the year ended 30 June 2019 (2018: \$7,346,867). The Group manages its capital to ensure that it is able to continue as a going concern while financing the development of its projects through primarily equity-based financing. The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Given the stage of development of the Group, the Board's objective is to minimise debt and to raise funds as required through the issue of new shares.

There were no changes in the Consolidated entity's approach to capital management during the year. During the next 12 months, the Group will continue to explore farm-out opportunities and additional issues of equity.

## 14 RESERVES AND ACCUMULATED LOSSES

### 14a Accumulated Losses

Accumulated losses at the beginning of the year

Net loss for the year

Other comprehensive income

Transfer of reserves due to cancelled incentive options

**Accumulated Losses at the end of the year**

### 14b Reserves

Share based payments reserve (i)

#### (i) Share-Based Payments Reserve

The share-based payments reserve is used to recognise the fair value of incentive options issued by the Group.

Balance at beginning of the year

Expired during the year

Exercised during the period

Granted during the period

**Balance at the End of the Year**

	2019 \$	2018 \$
Accumulated losses at the beginning of the year	(52,389,670)	(52,136,661)
Net loss for the year	(877,325)	(253,009)
Other comprehensive income	-	-
Transfer of reserves due to cancelled incentive options	-	-
<b>Accumulated Losses at the end of the year</b>	<b>(53,266,995)</b>	<b>(52,389,670)</b>
Share based payments reserve (i)	10,400	91,400
	<b>10,400</b>	<b>91,400</b>
Balance at beginning of the year	91,400	101,000
Expired during the year	(81,000)	-
Exercised during the period	-	(9,600)
Granted during the period	-	-
<b>Balance at the End of the Year</b>	<b>10,400</b>	<b>91,400</b>

## 15 SHARE-BASED PAYMENTS

### (a) Recognised Share-based Payments Expense

The Group provides Incentive Options to officers, employees and consultants as part of remuneration and incentive arrangements from time to time. The number of options granted, and the terms of the options are determined by the Board. Shareholder approval is sought where required. During the past two years, the following equity settled share-based payments have been recognised:

### (b) Summary of Incentive options granted as Share-based payments

The following table illustrates the number and weighted average exercise prices ("WAEP") of Incentive Options granted as share-based payments at the beginning and end of the financial year.

	Number	WAEP	Number	WAEP
	2019	2019	2018	2018
<b>Outstanding at the beginning of year</b>	27,200,000	0.1111	32,000,000	0.1111
Expired/lapsed during the year	(22,000,000)	-	-	-
Exercised during the year	-	-	(4,800,000)	0.006
Granted during the year				
<b>Outstanding and exercisable at end of year</b>	<b>5,200,000</b>		<b>27,200,000</b>	

**(c) Valuation models and key assumptions used**

The fair value of the equity-settled share options granted is estimated as at the date of grant using a Binomial option valuation model taking into account the terms and conditions upon which the options were granted.

The table below lists the inputs to the valuation model used for the share options granted by the Group that are currently on issue and outstanding at the end of year:

	May 2017	Nov 2015	July 2015	July 2015 (*)
Number of options	5,200,000	6,000,000	4,000,000	12,000,000
Fair value at grant date	\$0.002	\$0.003	\$0.006	Various - see below
Share price at grant date	\$0.003	\$0.004	\$0.007	\$0.005
Exercise price	\$0.006	\$0.006	\$0.006	Various - see below
Expected volatility <sup>1</sup>	150%	110%	110%	120%
Expected life <sup>2</sup>	3.13 years	4.62 years	4.98 years	4.98
Dividend yield (%) <sup>3</sup>	Nil	Nil	Nil	Nil
Risk-free interest rate	1.79%	2.32%	2.22%	2.06%

<sup>1</sup>: The expected volatility is indicative of future trends, which may not necessarily be the actual outcome.

<sup>2</sup>: The dividend yield reflects the assumption that the current dividend pay-out will remain unchanged.

<sup>3</sup>: The expected life of the options is based on the expiry date of the options as there is limited track record of early exercise of options.

**(d) Weighted Average Remaining Contractual Life**

As 30 June 2019, the weighted average remaining contractual life of Incentive Options on issue that had been granted as share-based payments was 2 years (2018: 2 years).

**(e) Range of Exercise Prices**

At 30 June 2019, the range of exercise prices of Incentive Options granted as share-based payments is \$0.006 (2018: \$0.006 to \$0.04).

**(f) Weighted average Fair Value**

The weighted average fair value of Incentive Options granted as share-based payments by the Group is \$0.006 (2018: \$0.06).



	2019 \$	2018 \$
<b>18 KEY MANAGEMENT PERSONNEL DISCLOSURES &amp; RELATED PARTY TRANSACTIONS</b>		
<b>18a Details of Remuneration of Key Management Personnel</b>		
Short-term salary and fees	538,209	428,477
Post-employment benefits	24,885	26,482
Share-based payments	-	-
	<b>563,094</b>	<b>454,959</b>

Detailed remuneration disclosures are provided in the remuneration report.

## 19 REMUNERATION OF AUDITORS

Australia – Rothsay Auditing

17,500	21,500
<b>17,500</b>	<b>21,500</b>

No non-audit services have been provided to the Group by the auditor.

## 20 COMMITMENTS FOR EXPENDITURE

20a Exploration expenditure commitments

Within one year	1,519,440	30,000
One year or later and no later than five years	13,971,110	13,115,550
Later than five years	-	-
	<b>15,490,550</b>	<b>13,145,550</b>

In order to maintain current rights of tenure to exploration permits, the Consolidated entity is required to perform minimum exploration work to meet the minimum expenditure requirements specified by various Governments. These obligations are subject to renegotiation. These obligations are not provided for in the financial report.

The permit commitments above will be met through either capital raisings, free carry from farm-in partners, or asset sales. In order to ensure that the Group's permits remain in good order, discussions and negotiations with the relevant regulatory bodies take place on an as required basis to amend the timing of permit commitments where possible so as to align the permit commitments with the financial capacity of the Group. Should the Group not be permitted to amend the timing of the permit commitments, or have sufficient funds to satisfy those commitments, the Group risks having to relinquish title to those permits and return the permit(s) to the relevant regulatory body.

20b Other commitments

Management have identified the operating lease for the registered office as a commitment (other than the exploration commitments disclosed above):

Within one year	126,396	43,380
One year or later and no later than five years	379,188	-
Later than five years	-	-
	<b>505,584</b>	<b>43,380</b>

## 21 CONTINGENCIES

### 21a Contingent Assets

There are no contingent assets at reporting date.

### 21b Contingent Liabilities

There are no contingent liabilities at reporting date.

## 22 EVENTS OCCURRING AFTER REPORTING DATE

### Sale of L14

Post 30 June 2019, and effective as at 31 July 2019, the Company disposed of its interest in the L14 production permit to the operator of the permit, RCMA Australia Pty Ltd (RCMA). The Company will receive A\$700,000 for its 6.278% interest in L14. The Company received a deposit of A\$70,000, which is refundable only in the event that regulatory approval of the transfer of title is not granted.

No matters or circumstances have arisen other than the above, since the end of the financial year which significantly affected or may significantly affect the operations of the Consolidated Entity, the results of the Consolidated Entity, or the state of affairs of the Consolidated Entity as reported to the year ended 30 June 2019.

## 23 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 23a Historical Cost Convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets.

### Critical Accounting Estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 24.

### 23b Income Tax

The consolidated entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit adjusted for any non-assessable or disallowed items.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised, or liability is settled. Deferred tax is credited in the Statement of Profit or Loss and Other Comprehensive Income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

### 23c Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties. Revenue is recognised for major business activities as follows:

(i) **Interest Income**

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

(ii) **Other Services**

Other debtors are recognised at the amount receivable and are due for settlement within 30 days from the end of the month in which services were provided.

### 23d Exploration and Evaluation Expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against operating results in the year in which the decision to abandon the area is made. When production commences the accumulated costs for the relevant area of interest are classified as development costs and amortised over the life of the project area according to the rate of depletion of the economically recoverable reserves.

Where independent valuations of areas of interest have been obtained, these are brought to account. Subsequent expenditure on re-valued areas of interest is accounted for in accordance with the above principles. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

At 30 June 2019 the Directors considered that the carrying value of the oil and gas tenement interests of the consolidated entity was as shown in the Statement of Financial Position and no further impairments arises other than that already recognised.

### 23e Plant and Equipment

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

The carrying amount of plant and equipment is reviewed annually by the Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

#### Depreciation

The depreciable amount of all plant and equipment is depreciated on a diminishing value over their useful lives to the consolidated entity commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

<b>Class of Fixed Asset</b>	<b>Depreciation Rate</b>
Plant and Equipment	27%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the Statement of Comprehensive Income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

#### **23f Trade Receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less allowance for doubtful debts. Trade receivables are due for settlement no more than 30 days from the date of recognition.

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off. An allowance for bad debts is established when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is recognised in the Statement of Comprehensive Income. They are recognised initially at fair value and subsequently at amortised cost.

Deposits with maturity periods in excess of three months but less than twelve months are included in receivables and not discounted if the effect of discounting is immaterial.

#### **23g Trade and Other Payables**

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid, together with assets ordered before the end of the financial year. The amounts are unsecured and are usually paid within 30 days of recognition.

#### **23h Employee Entitlements**

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

A liability for wages, salaries and annual leave expected to be settled within 12 months of the reporting date is recognised in other payables and is measured as the amount unpaid at balance date at current pay rates in respect of employees' services up to that date. No liability exists for sick leave.

##### **(ii) Long service leave**

A liability for long service leave is recognised in the provision for employee benefits and is measured as the present value of expected future payments to be made in respect of services provided by employees' up to balance date.

#### **23i Equity-Based Payments**

Equity-based compensation benefits are provided to Directors and executives.

The fair value of options granted to Directors and executives is recognised as an employee benefit expense with a corresponding increase in contributed equity. The fair value is measured at grant date and recognised over the period during which the Directors and/or executives becomes unconditionally entitled to the options. Where options are issued to consultants the fair value of the options given is valued by the market value of the service being provided.

The fair value at grant date is independently determined using an option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

#### **23j Earnings per share**

##### **(i) Basic earnings per share**

Basic earnings per share is determined by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

##### **(ii) Diluted earnings per share**

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

### 23k Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the steering committee that makes strategic decisions.

The standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are regularly reviewed by the Group's Managing Director to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Managing Director include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

### 23l Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

### 23m Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities 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, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

### 23n Provisions

Provisions are recognised when the consolidated entity has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

### 23o Contributed Equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

If the entity reacquires its own equity instruments, e.g. as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the Statement of Comprehensive Income and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

### 23p Comparative Figure

When required by accounting standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

### 23q Government Grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received, and the Group satisfies all attached conditions.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

When the grant relates to an asset, the fair value is credited to a deferred income account and is released to the Consolidated Statement of Profit or Loss and other Comprehensive Income over the expected useful life of the relevant asset by equal annual instalments.

Where a grant is received in relation to the tax benefit of research and development costs, the grant shall be credited to other income in the Consolidated Statement of Profit or Loss and other Comprehensive Income in the year of receipt.

## 24 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

### i) Significant accounting judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

#### *Capitalisation of exploration and evaluation expenditure*

The Group has capitalised significant exploration and evaluation expenditure on the basis either that this is expected to be recouped through future successful development (or alternatively sale) of the Areas of Interest concerned or on the basis that it is not yet possible to assess whether it will be recouped. As at 30 June 2019, the carrying value of capitalised exploration expenditure is \$6,540,305.

### ii) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

#### *Impairment of capitalised exploration and evaluation expenditure*

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, costs of drilling and production, production rates, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

#### *Valuation of share based payments*

The Group measures the cost of equity settled share based payments at fair value at the grant date using the Black-Scholes model taking into account the exercise price, the term of the option, the impact of dilution, the share price at grant date, the expected volatility of the underlying share, the expected dividend yield and risk free interest rate for the term of the option.

Where options are issued to consultants, the Group values the service provided based on market rates. In the absence of market rates the share based payments are valued as above.

