Norwest Energy NL

ABN 65 078 301 505

Annual Financial Report

for the year ended 30 June 2011

Corporate Information

ABN 65 078 301 505

Directors

Mr Michael John Fry (Non-Executive Chairman)

Mr Peter Lawson Munachen (Executive Director, CEO)

Mr Henry David Kennedy (Non-Executive Director)

Company Secretary

Mr Ernest Anthony Myers

Registered Office

288 Stirling Street
Perth WA 6000
Tel: 08 9227 3240
Fax: 08 9227 3211

Share Register

Computershare Investor Services Pty Ltd
Level 2
45 St George's Terrace
Perth WA 6000

GPO Box D182
Perth WA 6840

Telephone: 1300 557 010

Auditors

Rothsay Chartered Accountants
152-158 St Georges Terrace,
Perth WA 6000

Internet Address

www.norwestenergy.com.au

Email Enquires

info@norwestenergy.com.au

Australian Stock Exchange Code

NWE

Frankfurt Stock Exchange

NUX

Contents

Directors' Report

The directors present their report together with the financial report of Norwest Energy NL ("Norwest" or "the company"), and of the group, being the company and its subsidiaries, for the financial year ended 30 June 2011 and the auditor's report thereon.

1. DIRECTORS

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.

Names, qualifications, experience and special responsibilities

Mr Michael John Fry (Independent Non-Executive Chairman), BCom, FFin

Mr Fry, 53, became a director of Norwest on 8 June 2009 and chairman on 18 September 2009. Mr Fry has extensive experience in capital markets and corporate treasury, specialising in risk management. Mr Fry is the non-executive chairman of Red Fork Energy Limited (since April 2004), Challenger Energy Limited (since January 2007), Killara Resources Limited (since July 2008) and is a non-executive director of Liberty Resources Limited (since July 2005). Past directorships include Chrysalis Resources Limited (June 2007 to August 2008).

Mr Peter Lawson Munachen (Executive Director, CEO), FCA, FAICD

Mr Munachen, 65, became a director of Norwest on 26 November 2003 and CEO on 3 December 2008. Mr Munachen is a Chartered Accountant and former partner in an international accounting practice and has considerable experience in the resources industry. Mr Munachen is also a director of East Africa Resources Limited (since March 2010) and Canadian incorporated Currie Rose Resources Inc. (since March 2005). Past directorships include Dragon Mining Limited (March 2005 to March 2010, an alternate from December 2003 to March 2005), Newland Resources Ltd. (August 2001 to October 2009), Sub-Sahara Resources NL (April 2004 to August 2009) and Pancontinental Oil & Gas NL (February 1991 to January 2009).

Mr Henry David Kennedy (Non-Executive Director), MA (Geology), SEG, PESA, AIG

Mr Kennedy, 75, 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, 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, North Herald and Chervil oil fields in Western Australia and the Kupe South and Rua oil/gas condensate fields in New Zealand. Mr Kennedy is also a director of Pancontinental Oil & Gas NL (since August 1999).

2. COMPANY SECRETARY

Mr Ernest Anthony Myers, CPA

Mr Myers was appointed to the position of company secretary in March 2004. Mr Myers has over 30 years experience in the resources industry. Mr Myers is an accountant (CPA) who has held senior management and executive roles within a number of ASX listed companies. He brings corporate and operational experience in a variety of fields including project development, feasibility studies and both equity and debt financing. Prior to his appointment with Norwest, Mr Myers was CFO and Company Secretary of Dragon Mining Limited for a period of six years during its transition from an exploration company to a gold producer in Sweden. Mr Myers has extensive experience in exploration and operational issues, particularly in Kenya, Tanzania, Namibia and Eritrea. Mr Myers has been an alternate director of East Africa Resources Limited since June 2010.

The relevant interest of each director in the shares and options of the company as at 30 June 2011 is as follows:

Directors' Interests	Ordinary Shares	Options over Ordinary Shares
Mr Michael John Fry (Non-Executive Chairman)	2,576,923	3,000,000 * 7,034,799**
Mr Peter Lawson Munachen (Executive Director, CEO)	4,820,096	6,000,000 * 8,735,225**
Mr Henry David Kennedy (Non-Executive Director)	31,015,600	3,750,000 * 17,471,198**

* Unlisted
** Listed

Directors' Report

3. EARNINGS PER SHARE

	2011 Cents	2010 Cents
Basic earnings per share	**(0.70)**	(0.40)
Diluted earnings per share	**(0.70)**	(0.40)

4. CORPORATE INFORMATION

Corporate Structure
Norwest Energy NL 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 Westranch Holdings Pty Ltd, Norwest's subsidiary is the operator of the TP15 joint venture. Norwest is also the operator of the PEDL 238 and PEDL 239 joint ventures in the UK.

There have been no significant changes in the nature of those activities during the year.

Shareholder Returns
Company performance is also reflected in the movement in the company's earnings per share (EPS) over time. The table below shows Norwest's basic EPS history for the past five years (including the current period).

	EPS (cents)	Net profit attributable to equity holders of parent	Return on capital employed
2007	(1.62)	(3,234,610)	(32.65)%
2008	(0.74)	(1,492,739)	(14.78)%
2009	(5.14)	(11,951,488)	(591.16)%
2010	(0.40)	(2,106,644)	(46.07)%
2011	**(0.70)**	**(4,744,097)**	**(110.98)%**

Employees
The consolidated entity had one employee as at 30 June 2011, (2010: two employees).

Directors' Report

5. OPERATING AND FINANCIAL REVIEW

Group Overview
Norwest was formed and listed on the Australian Stock Exchange in 1997.

Operations Summary
Review of Operations

(a) Production
Norwest continues to hold a 6.278% interest in the Jingemia Oilfield in the Perth Basin.

(b) Exploration
In Australia, Norwest holds a 50% interest in TP15 (as operator), a 27.945% interest in EP413 (as operator) and a 20% in EP368/EP426. The company also holds a 100% interest over special prospecting authority STP-SPA-0013.

During the year, Norwest as operator managed the drilling of Arrowsmith-2 in the Northern Perth Basin permit EP413. The shale gas exploration well was successfully drilled in June 2011 and achieved all set objectives for the drilling phase formation evaluation.

Earlier in the year, Norwest as operator of the TP15 joint venture directed the drilling of Red Hill South-1 during February/ March 2011. The well was considered a technical success and will contribute to the greater knowledge of other prosects in the TP15 permit even though it did not establish economic hydrocarbons.

In Southern England, UK, exploration continues on Norwest's onshore interests, including 50% in PEDL238 and 75% in PEDL239.. Norwest is the operator of the PEDL licenses and maintains a representative office in Exeter.

Performance Indicators
Management and the board monitor the group's overall performance against operating plans and financial budgets.

Dynamics of the Business
The board are focussed on Norwest developing its interests in existing acreage in Western Australia and the UK. Norwest seeks to farm out its interests where appropriate to de-risk its exposures and facilitate successful exploration and development. Norwest is the operator of the UK exploration licences as well as TP15 and EP413 in Australia.

Operating Results for the Year
Gross loss of the consolidated entity for the year ended 30 June 2011 ($4,744,097) was higher than the gross loss of the prior year ($2,106,644). The main contributing factor was that exploration expenditure written off was substantially higher in the year ended 30 June 2011. The consolidated group's existing exploration project base contains Western Australian acreage and onshore opportunities in the UK.

Investments for Future Performance
The group will continue to build its exploration portfolio and divest where appropriate to mitigate risk.

Review of Financial Condition
Capital Structure

Shares
The company increased its ordinary shares from 587,278,582 to 732,615,462 during the year ended 30 June 2011 as follows:

Date	Fundraising	Shares	Price
September 2010	Share purchase plan	114,423,088	$0.026
September 2010	Placement	2,000,000	$0.0264
December 2010	Placement	28,409,091	$0.044
March 2011	Listed option conversion	40,754	$0.10
April 2011	Placement	459,184	$0.049
May 2011	Listed option conversion	4,763	$0.10

The funds were raised for working capital and continuing development of the group's interests.

Options
104,587,252 listed options were issued during the year at $0.075/ exercisable at $0.10, with 45,517 converted to ordinary shares. No unlisted options were exercised during the year.

Directors' Report

Treasury Policy
The board has not considered it necessary to establish a separate treasury function because of the size and scope of the group's activities.

Liquidity and Funding
The group had cash resources of $1.7 million at 30 June 2011. Fundraising during the financial year raised circa $5 million. The proceeds were used to fund the company's Australian and UK exploration activities and also to supplement working capital.

In August 2010, the company announced that Indian upstream company, Bharat PetroResources Ltd ("BPRL") executed a letter of intent with Norwest, for a farm-in to two of Norwest's Perth Basin permits – EP413 and TP15, by providing up to $15m in exploration and drilling funding.

BPRL received the necessary approvals to proceed with the transaction and conducted its formal due diligence process in September 2010. The farm-out transaction was also subject to Western Australian Department of Mines and Petroleum approval. It was also subject to BPRL obtaining notice from the Federal Treasurer that there are no objections under the Foreign Investment Review Board Act or Australian foreign investment policy to the proposed acquisition by BPRL of the two Norwest interests. Official signing of the documents was made on the 17 September 2010 in Perth, Western Australia.

During the year, BPRL provided funds as agreed for the drilling of the EP413 and TP15 exploration wells, as well as reimbursing Norwest $500,000 for past exploration costs.

Risk Management
The group 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 group's objectives and activities are aligned with the risks and opportunities identified by the board.

The group believes that it is crucial for all board members to be a part of this process, and as such the board has not established a separate risk management committee.

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

- Implementation of board approved operating plans and cash flow budgets and board monitoring of progress against these budgets.
- Reports on specific business risks, including matters such as environmental issues and occupational health and safety concerns.
- The group 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.
- The board provides shareholders with information using a comprehensive Continuous Disclosure Policy which includes identifying matters which have a material effect on the underlying security price. ASX announcements, the web page of the company and other media resources are used to convey such information. The board encourages full participation by shareholders at the Annual General Meeting and shareholders are requested to vote on board and executive remuneration aggregates as well as the Employee Incentive Scheme.

Statement of Compliance
The above report is based on the guidelines in The Group of 100 Incorporated publication *Guide to the Review of Operations and Financial Condition.*

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.

Directors' Report

7. SIGNIFICANT EVENTS AFTER THE BALANCE DATE

Significant events after the balance date include the following:

11 August 2011 - STP-SPA-0013

Norwest announced that Fugro Airborne Surveys Pty Ltd have commenced acquiring airborne Falcon Gravity Gradient data and magnetic data over the North Perth Basin Special Prospecting Authority STP-SPA-0013.

22 August 2011 – EP368/ EP426

Origin Energy Limited entered into an agreement with the operator of the EP368 and EP426 permits, Empire Oil & Gas NL to earn a 40% interest in the joint permits by funding 80% of the 3D seismic survey. Norwest will maintain its 20% equity in the adjoining exploration permits, the joint boundaries of which the North Erregulla prospect straddles. Norwest considers that the permits are under explored and as such elected not to dilute its interest but rather maintain its focus on the North Perth Basin.

31 August 2011 – Listed Options

Norwest sent a letter to option holders as detailed below:

PRIMARY OPTION

The Options (Primary Options) issued by Norwest on 14 February 2011 have an expiry date of 30 June 2012 and the company reminded the option holders of the unique features attaching to those options.

Each Primary Option has the following key terms and conditions:

(a) it will expire on 30 June 2012;
(b) its exercise price will be 10 cents per option;
(c) if it is exercised prior to 30 September 2011, it will entitle the person (“Applicant”) exercising the option to a Secondary Option, the key terms and conditions of which are set out below. The Secondary Option will be offered to the Applicant in October 2011 with a disclosure document.

SECONDARY OPTION

The principal terms and conditions of the Secondary Option are:

(a) the term of the option will be from the date of the grant, which will be at the end of October 2011, through to 30 June 2013;
(b) its exercise price will be 20 cents per option, but its grant will be free;
(c) it will not be listed on the ASX;
(d) it will only be granted after the Applicant has received a disclosure document and has signed an application form for its grant.

Primary options not exercised by 30 September 2011 will remain quoted on the Australian Securities Exchange (ASX).

14 September 2011 – EP413 Arrowsmith-2, EP413 Joint Venture (Norwest 27.945% interest and operator)

The Arrowsmith-2 was successfully drilled in June 2011 as a proof of concept well to assess the shale gas/ tight gas potential of the permit area. Norwest was well placed to commence stimulation operations in early September 2011, however due to a third party referral to the Environmental Protection Authority (“EPA”), these plans were suspended, pending EPA and Western Australian Department of Mines and Petroleum (“DMP”) approvals. On 14 September 2011, Norwest received approval from the DMP to commence hydraulic fracture stimulation of the Arrowsmith-2 well in the EP413 permit. Approval by the DMP follows the decision of the EPA not to assess the Arrowsmith-2 proposal.

Notwithstanding approval from the DMP and the decision of the EPA not to assess the Arrowsmith-2 proposal, the EPA decision is subject to an appeal process to the Minister for the Environment. An appeal has been lodged and is subject to review and determination by the Minister. In the meantime, that process has no impact on the activities of the project.

Other than the matters discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the company, to affect significantly 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

The economic entity expects to maintain its present status and operations focus; hence there are no likely developments or changes and expected results.

Directors' Report

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.

Past History

Norwest has typically met all environmental requirements through third parties and its partner companies. Accordingly, Norwest is conversant with environmental requirements.

With recent company expansion and growth, Norwest 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

Since the end of the previous financial year the company has paid insurance premiums in respect of directors' and officers' liability and legal expenses insurance contracts. The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors and officers and legal expenses insurance contracts as such disclosure is prohibited under the terms of the contract. The premiums were paid in respect of the following officers of the company and its controlled entities:

Mr MJ Fry, Mr PL Munachen, Mr HD Kennedy and Mr EA Myers.

Directors' Report

11. REMUNERATION REPORT - (Audited)

This report outlines the remuneration arrangements in place for directors of Norwest.

Principles of Compensation

A description of the remuneration structures in place is as follows:

The non-executive directors receive a fixed fee for their services. They do not receive performance based remuneration. To the extent that non-executive directors perform services from time to time that exceed the commitment expected of them, they are eligible to receive additional fees as determined by the chairman. The chairman receives a fixed fee for his services. The chief executive officer, Mr Munachen receives a fixed fee for his services as CEO with no separate fixed fee for his services as a director. No options were issued to directors of the parent company during the year, other than listed options which were subscribed for.

Remuneration Committee

The full board carries out the role of the remuneration committee.

Remuneration Structure

In accordance with best practice corporate governance, the structure of non-executive director remuneration is separate and distinct.

Non-Executive Director Remuneration

Objectives

The board seeks to set aggregate 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.

Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was at the Annual General Meeting held on 29 November 2007 when shareholders approved an aggregate remuneration of $400,000 per year. The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The board considers advice from external consultants as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process. Each director, apart from the chief executive officer, receives a fee for being a director of the company. No additional fee is paid for each board committee on which a director sits. The non-executive directors of the company can participate in the Employee Share Incentive Plan. The remuneration of non-executive directors for the period ending 30 June 2011 is detailed further on in this report.

Executive Director Remuneration

Objectives

The company aims to:

- reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the company and so as to reward executives for company, business unit and individual performance against targets set by reference to appropriate benchmarks;
- align the interests of executives with those of shareholders;
- link reward with the strategic goals and performance of the company; and
- ensure total remuneration is competitive by market standards.

Structure

It is the board's policy that employment contracts are only entered into with the chief executive officer and with key executives.

Directors' Report

Table 1: Director remuneration for the year ended 30 June 2011

	Short term Salary & Fees	Post Employment Super-annuation	Share-based Payments Options	Termination Benefits	Total	Value of Options as a Proportion of Remuneration
Mr Michael John Fry (Non-Executive Chairman)						
2011	**60,000**	**-**	**-**	**-**	**60,000**	**-**
2010	60,000	-	96,000	-	156,000	62%
Mr Peter Lawson Munachen (Executive Director, CEO)						
2011	**360,000**	**-**	**-**	**-**	**360,000**	**-**
2010	285,000	-	159,999	-	444,999	36%
Mr Henry David Kennedy (Non-Executive Director)						
2011	**50,000**	**-**	**-**	**-**	**50,000**	**-**
2010	31,501	-	96,000	-	127,501	75%
TOTAL 2011	**470,000**	**-**	**-**	**-**	**470,000**	

Table 2: Company Officer remuneration for the year ended 30 June 2011

	Short term Salary & Fees	Post Employment Super-annuation	Share-based Payments Options	Termination Benefits	Total	Value of Options as a Proportion of Remuneration
Mr John Gabriel Christian Michaels[1] (Vice President - Business Development UK)						
2011	**125,737**	**-**	**14,499**	**-**	**140,236**	**-**
2010	265,365	-	-	-	265,365	-
Mr Ernest Anthony Myers (Company Secretary)						
2011	**-**	**-**	**7,250**	**-**	**7,250**	**100%**
2010	-	-	-	-	-	-
TOTAL 2011	**125,737**	**-**	**21,749**	**-**	**147,486**	

[1] Mr Michaels' resigned on 31 December 2010.

Note: The company does not employ the company secretary but engages Resource Services International (Aust) Pty Ltd. to provide accounting, administration & secretarial services. Resource Services International (Aust) Pty. Ltd. received $309,000 (2010: $216,000) for providing these services. Messrs Myers and Munachen are directors and shareholders of Resource Services International (Aust) Pty. Ltd.

Fair values of options:

From 1 July 2003, options granted as part of director remuneration have been valued using the Black-Scholes option pricing model, which takes account of factors including the option exercise price, the current level and volatility of the underlying share price, the risk-free interest rate, expected dividends on the underlying share, current market price of the underlying share and the expected life of the option. The following factors and assumptions were used in determining the fair values of options at grant date.

	2011
Spot price	$0.039
Exercise price	$0.047
Expected volatility	106.00 %
Risk-free interest rate	4.70 %
Expected life of option	5 years
Dividend yield	-

All options issued during the period were valued using the Black-Scholes option pricing model with the above inputs.

Directors' Report

Table 3: Options and rights over equity instruments granted as compensation

During or since the end of the financial year, the company granted options for no consideration over unissued ordinary shares in the company to the following directors and to the following of the five most highly remunerated officers of the company as part of their remuneration:

	Granted as compensation 2011	Grant date	Fair value per option at grant date ($)	Exercise price per option ($)	Expiry date	Number of options vested during 2010
Directors						
MJ Fry	-	-	-	-	-	-
PL Munachen	-	-	-	-	-	-
HD Kennedy	-	-	-	-	-	-
Executives						
JGC Michaels	500,000	31 Aug 2010	0.029	0.036	25 Aug 2015	500,000
EA Myers	250,000	31 Aug 2010	0.029	0.036	25 Aug 2015	250,000

	Granted as compensation 2010	Grant date	Fair value per option at grant date ($)	Exercise price per option ($)	Expiry date	Number of options vested during 2009
Directors						
MJ Fry	3,000,000	27 Nov 2009	0.032	0.0554	26 Nov 2014	3,000,000
WF Bloking[1]	5,000,000	27 Nov 2009	0.032	0.0554	26 Nov 2014	5,000,000
PL Munachen	3,000,000	27 Nov 2009	0.032	0.0554	26 Nov 2014	3,000,000
HD Kennedy	-	-	-	-	-	-
Executives						
JGC Michaels	-	-	-	-	-	-
EA Myers	-	-	-	-	-	-

All of the above options were granted during the financial year. No options have been granted since the end of the financial year to the date of this report.

Exercise of options granted as compensation

During the reporting period, no shares were issued on the exercise of options previously granted as compensation, (2010: nil).

Table 4: Analysis of options and rights over equity instruments granted as compensation in 2011

	Options Granted	Grant date	% Vested in year	% Forfeited in year	Financial year in which grant vests	Value yet to vest
Directors						
MJ Fry	-	-	-	-	-	-
PL Munachen	-	-	-	-	-	-
HD Kennedy	-	-	-	-	-	-
Executives						
EA Myers	500,000	31 Aug 2010	100	-	30 Jun 2011	-
JGC Michaels	250,000	31 Aug 2010	100	-	30 Jun 2011	-

Directors' Report

Table 5: Analysis of movement in options

The movement during the reporting period, by value, of option over ordinary shares in the company held by each Key Management Person and for each of the named company executives and relevant group executive is detailed below.

	Granted in year ($) (A)	Exercised in year ($) (B)	Lapsed in year ($) (C)	Total option value in year ($)
Directors				
MJ Fry	-	-	-	-
PL Munachen	-	-	-	-
HD Kennedy	-	-	-	-
Executives				
EA Myers	14,499	-	-	14,499
JGC Michaels	7,250	-	-	7,250

A. The value of options granted in the year is the fair value of the options calculated at grant date using the Black-Scholes option pricing model.

B. The value of options exercised during the year is calculated as the market price of the shares of the company on the Australia Securities Exchange 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 the Black-Scholes option pricing model

Consequences of performance on shareholder wealth

In considering the group's performance and benefits for shareholder wealth, the remuneration committee have regard to the following indices in respect of the current financial year and previous financial years.

	2011 $	2010 $	2009 $	2008 $	2007 $
Net profit attributable to the equity holders of the parent	**(4,744,097)**	(2,106,644)	(11,951,488)	(1,492,739)	(3,234,610)
Share price at 30 June	**$0.04**	$0.026	$0.017	$0.15	$0.26
Return on capital employed	**(110.98)%**	(46.07)%	(591.16)%	(14.78)%	(32.65)%

Net profit is considered as one of the financial performance targets in setting director and executive remuneration. Net profit amounts for 2007 to 2011 have been calculated in accordance with Australian Accounting Standards (AASBs).

Directors' Report

12. SHARE OPTIONS

At 30 June 2011 unissued ordinary shares under options were:

Expiry date	Exercise price	Number of options
19 August 2011	$0.19	7,894,737
27 November 2011	$0.15	6,925,000
30 April 2012	$0.20	1,000,000
30 April 2012	$0.25	500,000
30 June 2012	$0.225	1,000,000
30 June 2012	$0.275	1,000,000
30 June 2012	$0.325	1,000,000
21 January 2014	$0.053	3,500,000
26 November 2014	$0.0554	11,000,000
25 August 2015	$0.036	1,650,000
26 May 2016	$0.065	1,000,000
Total outstanding as at 30 June 2011		**36,469,737**

The table includes options issued to past and present directors, employees, consultants and Investec Bank Ltd and does not include listed options.

13. DIRECTORS' MEETINGS

The numbers of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each of the directors of the company during the financial year are:

	Directors Meetings	Number attended	Number of meetings held whilst director held office during year
Number of meetings held:	4		
Number of meetings attended:			
Mr Michael John Fry (Non-Executive Chairman)		4	4
Mr Peter Lawson Munachen (Executive Director, CEO)		4	4
Mr Henry David Kennedy (Non-Executive Director)		4	4

The directors are of the opinion that it is often more efficient to deal with matters by circular resolutions than by board meetings, as such 8 matters were dealt with in such a manner during the year.

Committee membership

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

Directors' Report

14. AUDITOR'S INDEPENDENCE DECLARATION

The auditor independence declaration is set out on the following page and reviews part of the Directors' Report for the year ended 30 June 2011.

15. NON-AUDIT SERVICES

The entity's auditor, Rothsay Chartered Accountants, did not provide any non-audit services during the year.

Signed in accordance with a resolution of the directors.

Mr Peter Lawson Munachen

Executive Director & CEO

Perth 29 September 2011

ROTHSAY

Level 18, Central Park Building, 152-158 St Georges Terrace, Perth WA 6000
P.O. Box 8716, Perth Business Centre WA 6849
Phone (08) 6364 5076 www.rothsay.com.au

The Directors
Norwest Energy NL
PO Box 8260
Perth Business Centre
Perth WA 6849

Dear Sirs

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 2011 financial statements; and

ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Graham Swan (Lead auditor)

Rothsay Chartered Accountants

Dated 29 September 2011

Corporate Governance Statement

In accordance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations ("ASX Principles and Recommendations")[1], Norwest Energy NL ("company") has made it a priority to adopt systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and procedures are summarised in this statement. Commensurate with the spirit of the 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 adoption of its own practice.

Further information about the company's corporate governance practices is set out on the company's website at www.norwestenergy.com.au. In accordance with the ASX Principles and Recommendations, information published on the company's website includes charters (for the board and its committees), the company's code of conduct and other policies and procedures relating to the board and its responsibilities.

EXPLANATIONS FOR DEPARTURES FROM BEST PRACTICE RECOMMENDATIONS

During the Company's 2010/2011 financial year ("reporting period") the company has followed each of the ASX Principles and Recommendations, other than in relation to the matters specified below.

Principle 2

Recommendation 2.1: A majority of the board should be independent directors

Notification of Departure:

Currently only one of the three directors is considered to be independent – Non-Executive Chairman Mr Fry.

Explanation for Departure:

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. The board considers independence, amongst other things, when recommending new directors to the board.

Principle 2

Recommendation 2.4: The board should establish a nomination committee

Notification of Departure:

The full board fulfils the function of a nomination committee.

Explanation for Departure:

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 to carry out its function in relation to nomination matters, the board has adopted a Nomination Committee Charter.

[1] A copy of the ASX Principles and Recommendations is set out on the company’s website under the section entitled "Corporate Governance".

Corporate Governance Statement

Principle 4

Recommendation 4.1: The board should establish an audit committee

Recommendation 4.2: Structure of the audit committee

Notification of Departure:

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.

Explanation for Departure:

Given the size and composition of the board, it is not practicable that a separate audit committee be formed. However, the company has adopted an Audit Committee Charter to assist it to fulfil its role as the audit committee. The charter provides that independent directors may meet with the external auditor.

Principle 7

Recommendation 7.2: Implement, manage and report on risk management system

Notification of Departure:

The board has not received a formal documented report from management on the effectiveness of their management of the company's material business risks other than verbal updates at board meetings.

Explanation for Departure:

Although a formal report has not been presented to the board, the board has encouraged an increased focus on risk management implementation and reporting by completion of a risk questionnaire and risk register. These documents form the foundation for reporting on the company's risk profile which is vital in developing and strengthening the company's risk management policies.

Principle 8

Recommendation 8.1: The board should establish a remuneration committee

Recommendation 8.2: Structure of the remuneration committee

Notification of Departure:

The full board fulfils the function of a remuneration committee.

Explanation for Departure:

Given the size and composition of the board, it is not practicable that a separate committee to be formed. To assist it to carry out its function in relation to remuneration matters, the board has adopted a Remuneration Committee Charter.

Corporate Governance Statement

Committee Meetings
Due to the size of the current board, the functions of the Nomination, Audit and Remuneration Committees were carried out by the full board during the financial year. As such, no separate meetings were held for the Nomination, Audit and Remuneration Committees. The board agenda incorporated these items and appropriate discussions were held on each issue at the board meetings.

Other Skills, Experience, Expertise and term of office of each Director
A profile of each director containing the skills, experience, expertise and term of office of each director is set out in the Directors' Report.

Identification of Independent Directors
In considering the independence of directors, the board refers to the criteria for independence as set out in Box 2.1 of the ASX Principles and Recommendations ("Independence Criteria"). To the extent that it is necessary for the board to consider issues of materiality, the board refers to the thresholds for qualitative and quantitative materiality as adopted by the board and contained in the Board Charter, which is disclosed in full on the company's website.

Applying the independence criteria, the company's independent director is Mr Fry.

Corporate Reporting
ASX Principle 7.3 requires the board to disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks. The board confirms that such assurance has been received.

Statement concerning availability of Independent Professional Advice
If a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of his/her office as a director, then, provided the director first obtains approval for incurring such expense from the chair, the company will pay the reasonable expenses associated with obtaining such advice.

Confirmation whether performance Evaluation of the Board and its members have taken place and how conducted
During the reporting period an evaluation of the board and its members was not carried out. The board's suitability, overall structure and composition to carry out the company's objectives is however, discussed on an as-required basis during regular meetings of the board.

Existence and Terms of any Schemes for Retirement Benefits for Non-Executive Directors
There are no termination or retirement benefits for non-executive directors.

Diversity – Board Composition
The mix of skills and diversity for which the company is looking to achieve in membership of the board is one that is as diverse as practicable given the size and scope of the company's operations. The company has adopted a Diversity Policy which is available on the company's website under the Corporate Governance section.

Diversity – Measurable Objectives
The company's primary objectives with regard to diversity are as follows:

- the company's composition of 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.

Primary 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 and American;
- 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, as the company's only employee.

Diversity – Annual Reporting
The company's annual reporting on the percentage of females in the organisation is as follows:

	% Female
Employees	100%
Executives & Board Members	20%

Statement of Comprehensive Income

YEAR ENDED 30 JUNE 2011	Notes	CONSOLIDATED 2011 $	2010 $
Continuing Operations			
Revenue	5	**607,317**	248,977
Depletion expense		**(399,307)**	(271,496)
Operating costs		**(613,859)**	(96,023)
Gross Profit /(Loss)		**(405,849)**	(118,542)
Other income	6	**746,968**	367,473
Exploration expenditure and write down	17	**(2,280,705)**	(566,269)
Depreciation and amortisation expenses	16	**(16,504)**	(18,984)
Directors' remuneration & payments		**(571,697)**	(426,501)
Personnel expenses	7	**(86,136)**	(19,982)
Administrative expenses		**(1,966,529)**	(803,141)
Other expenses		**(78,537)**	(144,033)
Results from Operating Activities		**(4,658,989)**	(1,729,979)
Financing income		**66,391**	16,067
Financing expense	9	**(100,086)**	(371,033)
Total Financing Activities		**(33,695)**	(354,966)
Profit /(Loss) before Income Tax Expense		**(4,692,684)**	(2,084,945)
Income Tax Expense	10	**-**	-
Profit /(Loss) for the Period		**(4,692,684)**	(2,084,945)
Other Comprehensive Income /(Loss)			
Foreign currency translation differences for foreign operations		**(53,746)**	(24,699)
Net change in fair value of available-for-sale financial assets transferred to profit or loss		**2,333**	3,000
Income tax relating to items of other comprehensive income /(loss)		**-**	-
Other Comprehensive Income/(Loss) for the Period, Net of Income Tax		**(4,744,097)**	(2,106,644)
Basic earnings per share (cents per share)	11	**(0.70)**	**(0.40)**
Diluted earnings per share (cents per share)	11	**(0.70)**	**(0.40)**

The Statement of Comprehensive Income is to be read in conjunction with the Notes to the Financial Statements.

Statement of Changes in Equity

YEAR ENDED 30 JUNE 2011

Consolidated	Share Capital $	Option Reserve $	Retained Earnings $	Total Equity $
Balance at 1 July 2010	**36,042,868**	**2,046,290**	**(34,388,935)**	**3,700,223**
Profit or loss	**-**	**-**	**(4,692,684)**	**(4,692,684)**
Other comprehensive income/(loss)	**-**	**-**	**(51,413)**	**(51,413)**
Equity-settled transactions net of tax	**-**	**91,348**	**-**	**91,348**
Shares issued (net of costs)	**4,909,156**	**-**	**-**	**4,909,156**
Share options expired	**-**	**(17,341)**	**17,340**	**(1)**
Balance at 30 June 2011	**40,952,024**	**2,120,297**	**(39,115,692)**	**3,956,629**
Balance at 1 July 2009	32,382,149	1,804,684	(32,392,684)	1,794,149
Profit or loss	-	-	(2,084,945)	(2,084,945)
Other comprehensive income/(loss)	-	-	(21,699)	(21,699)
Equity-settled transactions net of tax	-	351,999	-	351,999
Shares issued (net of costs)	3,660,719	-	-	3,660,719
Share options expired	-	(110,393)	110,393	-
Balance at 30 June 2010	36,042,868	2,046,290	(34,388,935)	3,700,223

The Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements.

Statement of Financial Position

AT 30 JUNE 2011	Notes	CONSOLIDATED 2011 $	CONSOLIDATED 2010 $
CURRENT ASSETS			
Cash and cash equivalents	12	**1,727,323**	1,030,755
Trade and other receivables	13	**787,768**	798,834
TOTAL CURRENT ASSETS		**2,515,091**	1,829,589
NON-CURRENT ASSETS			
Trade and other receivables	13	**31,061**	37,987
Investments	14	**10,000**	7,667
Property, plant and equipment	16	**48,464**	14,124
Deferred exploration, evaluation and development costs	17	**2,065,101**	2,385,608
TOTAL NON-CURRENT ASSETS		**2,154,626**	2,445,386
TOTAL ASSETS		**4,669,717**	4,274,975
CURRENT LIABILITIES			
Trade and other payables	18	**471,744**	526,168
TOTAL CURRENT LIABILITIES		**471,744**	526,168
NON-CURRENT LIABILITIES			
Provisions	20	**241,344**	48,584
TOTAL NON-CURRENT LIABILITIES		**241,344**	48,584
TOTAL LIABILITIES		**713,088**	574,752
NET ASSETS		**3,956,629**	3,700,223
EQUITY			
Parent entity interest			
Contributed equity	21	**40,952,024**	36,042,868
Reserves	21	**2,120,297**	2,046,290
Accumulated losses	21	**(39,115,692)**	(34,388,935)
Total parent entity interest in equity		**3,956,629**	3,700,223
TOTAL EQUITY		**3,956,629**	3,700,223

The Statement of Financial Position is to be read in conjunction with the Notes to the Financial Statements.

Statement of Cash Flows

YEAR ENDED 30 JUNE 2011	Notes	CONSOLIDATED 2011 $	2010 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		**785,569**	199,245
Payments to suppliers and employees		**(2,494,011)**	(1,630,938)
Interest received		**64,319**	16,046
Other – *recovery of past costs*		**1,374,306**	76,269
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	25	**(269,817)**	(1,339,378)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(50,567)**	-
Purchase of prospects		**-**	(512,011)
Expenditure on oil & gas interests		**(3,795,297)**	(1,818,373)
Proceeds from sale of fixed assets		**-**	127
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		**(3,845,864)**	(2,330,257)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of ordinary shares before costs		**5,018,956**	3,908,053
Payment of share issue costs		**(166,186)**	(325,280)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		**4,852,770**	3,582,773
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**737,089**	(86,862)
Cash and cash equivalents at 1 July		**1,030,755**	1,152,408
Effects of exchange rate changes on cash held		**(40,521)**	(34,791)
CASH AND CASH EQUIVALENTS AT 30 JUNE	12	**1,727,323**	1,030,755

The Statement of Cash Flows is to be read in conjunction with the Notes to the Financial Statements.

Notes to the Financial Statements

1. Reporting entity
Norwest Energy NL (the "company") is a company domiciled in Australia. The company's registered address is Ground Floor, 288 Stirling Street Perth, WA 6000.

The consolidated financial report of the company for the financial year ended 30 June 2011 comprises the company and its subsidiaries (together referred to as the "consolidated entity").
The financial report was authorised for issue by the directors on 29 September 2011.

2. Basis of preparation
(a) Statement of compliance
The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ("AASBs"), including Australian interpretations adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. The consolidated financial report of the consolidated entity and company also complies with IFRSs and interpretations adopted by the International Accounting Standards Board.
The financial report is presented in Australian dollars which is the company's functional currency. The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application.

AASB 9: Financial Instruments (December 2010) (applicable for annual reporting periods commencing on or after 1 January 2013)

This Standard is applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments. The Company has not yet determined any potential impact on the financial statements.

The key changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;
- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and

requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011)

This Standard removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies the definition of a "related party" to remove inconsistencies and simplify the structure of the Standard. No changes are expected to materially affect the Company.

AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010–2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052] (applicable for annual reporting periods commencing on or after 1 July 2013)

AASB 1053 establishes a revised differential financial reporting framework consisting of two tiers of financial reporting requirements for those entities preparing general purpose financial statements:

- Tier 1: Australian Accounting Standards; and
- Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements.

Tier 2 of the framework comprises the recognition, measurement and presentation requirements of Tier 1, but contains significantly fewer disclosure requirements.

The following entities are required to apply Tier 1 reporting requirements (ie full IFRS):

- for-profit private sector entities that have public accountability; and

- the Australian Government and state, territory and local governments.

Since the Company is a for-profit private sector entity that has public accountability, it does not qualify for the reduced disclosure requirements for Tier 2 entities.

AASB 2010–2 makes amendments to Australian Accounting Standards and Interpretations to give effect to the reduced disclosure requirements for Tier 2 entities. It achieves this by specifying the disclosure paragraphs that a Tier 2 entity need not comply with as well as adding specific "RDR" disclosures.

AASB 2009–12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011)

This Standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. The Standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. The amendments are not expected to impact the Company.

AASB 2009–14: Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement [AASB Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011)

This Standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan.

This Standard is not expected to impact the Company.

AASB 2010–4: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13] (applicable for annual reporting periods commencing on or after 1 January 2011)

This Standard details numerous non-urgent but necessary changes to Accounting Standards arising from the IASB's annual improvements project. Key changes include:

- clarifying the application of AASB 108 prior to an entity's first Australian-Accounting-Standards financial statements;
- adding an explicit statement to AASB 7 that qualitative disclosures should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments;
- amending AASB 101 to the effect that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income is required to be presented, but is permitted to be presented in the statement of changes in equity or in the notes;
- adding a number of examples to the list of events or transactions that require disclosure under AASB 134; and
- making sundry editorial amendments to various Standards and Interpretations.

This Standard is not expected to impact the Company.

AASB 2010–5: Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042] (applicable for annual reporting periods beginning on or after 1 January 2011)

This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. However, these editorial amendments have no major impact on the requirements of the respective amended pronouncements.

AASB 2010–6: Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7] (applicable for annual reporting periods beginning on or after 1 July 2011)

This Standard adds and amends disclosure requirements about transfers of financial assets, especially those in respect of the nature of the financial assets involved and the risks associated with them. Accordingly, this Standard makes amendments to AASB 1: First-time Adoption of Australian Accounting Standards, and AASB 7: Financial Instruments: Disclosures, establishing additional disclosure requirements in relation to transfers of financial assets.

This Standard is not expected to impact the Company.

AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applies to periods beginning on or after 1 January 2013)

This Standard makes amendments to a range of Australian Accounting Standards and Interpretations as a consequence of the issuance of AASB 9: Financial Instruments in December 2010. Accordingly, these amendments will only apply when the entity adopts AASB 9.

As noted above, the Company has not yet determined any potential impact on the financial statements from adopting AASB 9.

AASB 2010–8: Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112] (applies to periods beginning on or after 1 January 2012)

This Standard makes amendments to AASB 112: Income Taxes.

The amendments brought in by this Standard introduce a more practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model under AASB 140: Investment Property.

Under the current AASB 112, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

The amendments brought in by this Standard also incorporate Interpretation 121 into AASB 112.

The amendments are not expected to impact the Company.

AASB 2010–9: Amendments to Australian Accounting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters [AASB 1] (applies to periods beginning on or after 1 July 2011)

This Standard makes amendments to AASB 1: First-time Adoption of Australian Accounting Standards.

The amendments brought in by this Standard provide relief for first-time adopters of Australian Accounting Standards from having to reconstruct transactions that occurred before their date of transition to Australian Accounting Standards.

Furthermore, the amendments brought in by this Standard also provide guidance for entities emerging from severe hyperinflation either to resume presenting Australian-Accounting-Standards financial statements or to present Australian-Accounting-Standards financial statements for the first time.

This Standard is not expected to impact the Company.

AASB 2010–10: Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters [AASB 2009–11 & AASB 2010–7] (applies to periods beginning on or after 1 January 2013)

This Standard makes amendments to AASB 2009–11: Amendments to Australian Accounting Standards arising from AASB 9, and AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010).

The amendments brought in by this Standard ultimately affect AASB 1: First-time Adoption of Australian Accounting Standards and provide relief for first-time adopters from having to reconstruct transactions that occurred before their transition date.

[The amendments to AASB 2009–11 will only affect early adopters of AASB 2009–11 (and AASB 9: Financial Instruments that was issued in December 2009) as it has been superseded by AASB 2010–7.]

This Standard is not expected to impact the Company.

None of the other amendments or Interpretations are expected to affect the accounting policies of the Company.

(b) Basis of measurement
The consolidated financial statements have been prepared on the historical cost basis except for share based payments at fair value through profit and loss and investments held at fair value through profit and loss. Share based payments are valued using the Black-Scholes option pricing formula. Investments are valued based on the quoted closing price of that security at balance date.

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

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies have been included in the notes and accounting policies (3) section for the following:

- Impairment of exploration and evaluation assets 3(e)(ii)
- Site restoration provision 3(h)(i)

- Accounting for exploration and evaluation assets 3(o)(i)
- Depletion of development assets 3(o)(ii)
- Share based transactions 3(p)(ii)

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial report.
The accounting policies have been applied consistently by all entities in the consolidated entity. Certain comparative amounts have been reclassified to conform to the current year's presentation.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the company. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are carried at their cost of acquisition in the company's financial statements.

(ii) Joint ventures

Joint ventures are those entities over whose activities the consolidated entity has joint control, established by contractual agreement and requiring majority consent for strategic financial and operating decisions.

Jointly controlled operations and assets

The interest of the company and of the consolidated entity in unincorporated joint ventures and jointly controlled assets are brought to account by recognising in its financial statements the assets it controls, the liabilities that it incurs, the expenses it incurs and its share of income that it earns from the sale of goods or services by the joint venture.

(iii) Transactions eliminated on consolidation

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Gains and losses are recognised as the contributed assets are consumed or sold by the associates and jointly controlled entities or, if not consumed or sold by the associate or jointly controlled entity, when the consolidated entity's interest in such entities is disposed of.

(b) Foreign currencies

(i) Foreign currency translation

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

(ii) Functional currency

These consolidated financial statements are presented in Australian dollars, which is the company's functional currency and the functional currency of the majority of the group. The company is of a kind referred to in ASIC Class Order 98/0100 dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest $1.

(c) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents and other trade payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the consolidated entity becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the consolidated entity's contractual rights to cash flows from the financial assets expire or if the consolidated entity transfers the financial assets to another party without retaining control or substantially all risks and rewards of the asset. Regular purchases and sales of financial assets are accounted for at trade date, i.e., the date that the consolidated entity commits itself to purchase or sell the asset. Financial liabilities are derecognised if the consolidated entity's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise of cash balances at bank and petty cash on hand.

Accounting for finance income and expense is discussed in the notes. Other non-derivative financial instruments are measured at amortised cost using effective interest method, less any impairment costs.

(ii) Derivative Financial instruments

The consolidated entity has not used derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks.

(d) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation (see below) and impairment losses (see accounting policy e). Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

(ii) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

The estimated useful lives in the current and comparative periods are as follows:

plant and equipment	4 years
fixtures and fittings	8 years
major components	4 years

The residual value, the useful life and the depreciation method applied to an asset are reassessed on an annual basis.

(e) Impairment

(i) Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. All impairment losses are recognised in the income statement. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in the income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

(ii) Non-financial assets

The carrying amounts of the consolidated entity's non-financial assets, other than deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. A cash generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate which reflects current market assessments of the time value of money and risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

The ultimate recoupment of the value of exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternately, sale, of the underlying mineral exploration properties. The group undertakes at least on an annual basis, a comprehensive review for indicators of impairment of these assets. Should an indicator of impairment exist, there is significant estimation and judgement in determining the inputs and assumptions used in determining the recoverable amounts.

The key areas of estimation and judgement that are considered in this review include: (i) recent drilling results and reserves and resource estimates (ii) environmental issues that may impact the underlying tenements (iii) the estimated market value of assets at the review date (iv) independent valuations of underlying assets that may be available (v) fundamental economic factors such as commodity prices, exchange rates and current and anticipated operating costs in the industry (vi) the group's market capitalisation compared to its net assets.

(f) Share capital
Transaction costs
Transaction costs of an equity transaction are accounted for as a deduction from equity.

(g) Employee benefits
(i) Long-term service benefits
The consolidated entity's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to the Commonwealth Government bonds at the balance sheet date which have maturity dates approximating to the terms of the consolidated entity's obligations.

(ii) Wages, salaries, annual leave, sick leave and non-monetary benefits
Liabilities for employee benefits for wages, salaries, annual leave and sick leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax. The consolidated entity does not provide any non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services.

(iii) Share-based payment transactions
The share option programme allows consolidated entity employees and key consultants to acquire shares of the company through exercising options granted. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees or consultants become unconditionally entitled to the options. The fair value of the options granted is measured based on the Black-Scholes formula, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting. In addition, a probability factor of vesting is taken into account when calculating their theoretical fair value using the Black-Scholes option pricing model.

(iv) Defined contribution superannuation funds
Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the income statement when they are due.

(h) Provisions
A provision is recognised in the balance sheet when the consolidated entity has a present legal or constructive obligation that can be estimated reliably as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(i) Site restoration
In accordance with the consolidated entity's published environmental policy and applicable legal requirements, a provision for restoration costs in respect of well abandonment and restoring contaminated land are capitalised and amortised as an expense based on the expected date of restoration.

The provision is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date, based on current legal requirements and technology. Future restoration costs are reviewed annually and any changes are reflected in the present value of the restoration provision at the end of the reporting period.

The amount of the provision for future restoration costs is capitalised and is depreciated in accordance with the policy set out in the notes.

(i) Revenue

(i) Goods sold
Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

Revenue from the sale of oil, gas and condensate is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer, recovery of consideration is probable and the associated costs and possible return of goods can be estimated reliably.

(ii) Royalty income
Royalty income is accounted for on an accrual basis based on the pattern in which the consolidated entity's right to future economic benefit from its interests is accumulated and received.

(j) Income tax
Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting, nor taxable profit and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(k) Finance income and expense
Finance income comprises of interest income on funds invested, (including available-for-sale financial assets), gains on the disposal of available-for-sale financial assets and changes in the fair values of financial assets at fair value through profit and loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognised on financial assets. All borrowing costs are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

(l) Segment reporting
A segment is a distinguishable component of the consolidated entity that is engaged in providing products or services within a particular economic environment (geographical segment), or in providing related products or services (business segments). Each segment is subject to risks and rewards that are different from those of other segments. Further information in note 4.

(m) Goods and services tax
Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(n) Earnings per share
The consolidated entity presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit and loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to the ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of dilutive potential ordinary shares, which comprise convertible notes and share options granted.

(o) Critical accounting estimates and judgements

(i) Exploration and evaluation assets
Exploration and evaluation costs, including the costs of acquiring licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the consolidated entity has obtained the legal rights to explore an area are recognised in the income statement.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

(i) the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or
(ii) activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest continue.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount see impairment accounting policy (e). For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of oil and gas resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from exploration and evaluation phase assets to production phase assets within deferred exploration evaluation and development costs. Assessments of impairment are covered in the notes.

(ii) Depletion of development assets
The consolidated entity depletes development assets based on continual assessments of future economic benefit and estimated reserves remaining taking into account quantity/units of commodity extracted in that reporting period. Rates of depletion of production phase assets are not fixed and vary as estimated reserves figures are recalculated and more accurate information becomes available. Rates of depletion reflect the rate at which future economic benefit has been extinguished from the asset over that reporting period.

(p) Determination of fair values
A number of the consolidated entity's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Trade and other receivables
The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at reporting date.

(ii) Share based payment transactions
The fair value of employee stock and other options is measured using the Black-Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk free interest rate (based on Government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

4. Segment reporting
The economic entity operates predominately in the exploration industry in Australia and the United Kingdom, however internal reporting is conducted on an entity wide basis. As such, segment information is presented on the same basis as that used for internal reporting purposes provided to the chief operating decision maker. The chief operating decision maker has been identified as the board of directors who make strategic decisions.

5. Revenue

	Consolidated 2011 $	Consolidated 2010 $
Oil sales	**607,317**	239,358
Royalty	**-**	9,619
	607,317	248,977

6. Other income

	Consolidated 2011 $	Consolidated 2010 $
Government refunds	**216,364**	41,724
Proceeds – Sale of plant & equipment	**-**	127
Operator fees	**528,064**	317,093
Other	**2,540**	8,529
	746,968	367,473

7. Personnel expenses

	Consolidated 2011 $	Consolidated 2010 $
Wages and salaries	**79,079**	26,427
Superannuation contributions	**7,057**	1,969
Increase / (decrease) in liability for annual leave	**-**	(6,318)
Increase / (decrease) in liability for long service leave	**-**	(2,096)
	86,136	19,982

8. Auditors' remuneration

	Consolidated 2011 $	Consolidated 2010 $
Audit services		
Auditors of the Company		
KPMG Australia:		
Audit and review of financial reports	**-**	26,016
Rothsay Chartered Accountants:		
Audit and review of financial reports	**34,500**	36,000
Auditors of the Company's wholly owned subsidiaries		
Geoffrey Cole & Co United Kingdom:		
Audit and review of UK subsidiary financial reports	**9,727**	28,543
	44,227	90,559

9. Net financing expense

	Consolidated 2011 $	Consolidated 2010 $
Foreign exchange loss	**8,738**	19,034
Options – Directors (subsidiary)	**21,750**	351,999
Options - Employees	**69,598**	-
Financial expense	**100,086**	371,033

10. Income tax expense

a) The major components of income tax expense are:

	Consolidated 2011 $	Consolidated 2010 $
Income statement		
Current income tax :		
Current income tax benefit	**1,175,891**	792,646
Deferred income tax :		
Relating to origination and reversal of temporary differences	**204,510**	(280,737)
Unused tax losses not recognised as a DTA	**(1,380,401)**	(511,909)
Income tax (expense)/income reported in the income statement	**-**	-

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:

	Consolidated 2011 $	Consolidated 2010 $
Accounting Loss	**(4,692,684)**	(2,106,644)
Prima facie tax payable at 30%	**(1,407,805)**	(631,993)
Add tax effect of items not bought to account:		
Non deductible and non assessable permanent items	**27,404**	120,084
Tax losses not bought to account	**1,380,401**	511,909
Income tax expense	**-**	-

10. Income tax expense (continued)

b) Deferred income tax:

Deferred income tax at 30 June relates to the following:	Consolidated	
	2011	**2010**
	$	**$**
Deferred tax liabilities		
Tax effect of exploration expenses	**170,875**	375,385
Set-off of against carry forward tax losses	**(170,875)**	(375,385)
Deferred tax liability balance	**-**	-
Deferred tax assets		
Tax value of carry forwarded losses	**8,114,483**	6,921,205
Set-off against deferred tax liability	**(170,875)**	(375,385)
Non-recognition of deferred tax assets	**(7,943,608)**	(6,545,820)
Deferred tax balance	**-**	-

c) Tax losses

At 30 June 2011, the consolidated entity has $27,048,278 (2010: $23,070,684) of tax losses that are available indefinitely for offset against future taxable profits of the company. With the exception of the amounts recognised above, no net deferred tax asset balance has not been recognised on the Statement of Financial Position in respect of the amount of these losses.

Unrecognised deferred tax balances	Consolidated	
	2011	**2010**
	$	**$**
Deferred tax assets		
Tax losses – revenue	**6,002,020**	4,808,742
Tax losses – capital	**2,112,463**	2,112,463
	8,114,483	6,921,205

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.

11. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 30 June 2011 was based on the loss attributable to ordinary shareholders of $4,744,097 (2010: $2,106,644) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2011 of 695,819,662 (2010: 508,023,638) calculated as follows:

Loss attributable to ordinary shareholders

	Note	Consolidated 2011 $	Consolidated 2010 $
Loss for the period		**(4,744,097)**	(2,106,644)
Loss attributable to ordinary shareholders		**(4,744,097)**	(2,106,644)

Weighted average number of ordinary shares		**Number**	**Number**
Issued ordinary shares at 1 July	21	**587,278,582**	316,052,149
Effect of rights issue September, 2009 (weighted average)		-	168,561,146
Effect of share placement September, 2009 (weighted average)		-	3,123,288
Effect of share placement February, 2010 (weighted average)		-	20,287,055
Effect of share purchase plan September, 2010 (weighted average)		**92,792,422**	-
Effect of placement September, 2010 (weighted average)		**1,545,205**	-
Effect of placement December, 2010 (weighted average)		**14,087,796**	-
Effect of option conversion March, 2011 (weighted average)		**10,496**	-
Effect of placement April, 2011 (weighted average)		**104,417**	-
Effect of option conversion May, 2011 (weighted average)		**744**	-
Weighted average number of ordinary shares at 30 June		**695,819,662**	508,023,638

Diluted earnings per share

There is no dilutive effect therefore diluted earnings per share is equal to basic earnings per share.

Earnings per share

Basic earnings per share

	2011	2010
Basic earnings per share (cents per share)	**(0.70)**	(0.40)

Diluted earnings per share

	2011	2010
Diluted earnings per share (cents per share)	**(0.70)**	(0.40)

12. Cash and cash equivalents

	Consolidated 2011 $	Consolidated 2010 $
Bank balances	**1,727,323**	1,030,755
Cash and cash equivalents in the statement of cash flows	**1,727,323**	1,030,755

13. Trade and Other receivables

	Consolidated 2011 $	Consolidated 2010 $
Current		
Trade and other receivables	**736,299**	731,701
Debtors oil sales/royalty	**51,469**	67,133
	787,768	798,834
Non-current		
Security bond	**31,061**	37,987
	31,061	37,987

14. Investments

	Consolidated 2011 $	Consolidated 2010 $
Non-current investments		
Investments held at fair value through profit and loss	**10,000**	7,667
	10,000	7,667

15. Joint venture commitments

Refer to Note 23 for schedule of exploration expenditure commitments.

Joint venture details

Permit	Country	Interest held at balance date
EP368	Australia	20.00%
EP426	Australia	20.00%
EP413	Australia	27.945%
L14	Australia	6.278%
TP15	Australia	50.00%
STP-SPA-0013	Australia	100.00%
PEDL238	United Kingdom	50.00%
PEDL239	United Kingdom	75.00%

16. Property, plant and equipment

	Consolidated Plant and equipment $
Cost	
Balance at 1 July 2010	**203,771**
Sale of PPE - Cost	**-**
Additions	**50,844**
Balance at 30 June 2011	**254,615**
Balance at 1 July 2009	201,929
Sale of PPE - Cost	(231)
Additions	2,073
Balance at 30 June 2010	203,771
Accumulated depreciation	
Balance at 1 July 2010	**189,647**
Sale of PPE – Acc Depn	**-**
Depreciation expense	**16,504**
Balance at 30 June 2011	**206,151**
Balance at 1 July 2009	170,894
Sale of PPE – Acc Depn	(231)
Depreciation expense	18,984
Balance at 30 June 2010	189,647
Carrying amounts	
At 30 June 2011	**48,464**
At 30 June 2010	14,124

17. Deferred exploration, evaluation and development costs

	Consolidated 2011 $	Consolidated 2010 $
Exploration, evaluation and development costs carried forward in respect of mining areas of interest		
Exploration and evaluation phase:		
Exploration and evaluation expenditure at 1 July	**2,124,035**	1,144,324
Acquisition of exploration interests	**30,182**	96,351
Capitalised expenditure during the year	**3,314,548**	1,275,073
Exploration expenditure written off	**(2,261,225)**	(391,713)
Recoveries *(past exploration expenditure)*	**(1,408,357)**	-
Balance at 30 June	**1,799,183**	2,124,035
Production phase:		
Development costs at 1 July	**261,573**	69,517
Acquisition of production interests	**277,450**	219,428
Expenditure during the year	**547,301**	333,673
Operating costs to P&L	**(613,859)**	(96,023)
Movement in provision	**192,760**	6,474
Depletion expense	**(399,307)**	(271,496)
Balance at 30 June	**265,918**	261,573
Total	**2,065,101**	2,385,608
Exploration and evaluation assets		

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.

18. Trade and other payables

	Consolidated 2011 $	Consolidated 2010 $
Other trade payables and accrued expenses	**418,176**	513,509
Goods and services tax	**53,568**	12,659
	471,744	526,168

19. Share based payment

The terms and conditions of the grants to directors, consultants, key management, employees and Investec Bank are as follows, whereby all options are settled by physical delivery of shares:

Grant date	Entitlement	Number of options	Exercising Conditions	Exercise Price $	Life of Options
14 Dec 06	Key Management & employees	6,925,000	Vest immediately 50% exercisable after 6 months and 50% exercisable after 12 months	0.15	5 years
30 Apr 07	Key management	1,000,000	Vest immediately 50% exercisable after 6 months and 50% exercisable after 12 months	0.20	5 years
30 Apr 07	Key management	500,000	Vest immediately 50% exercisable after 6 months and 50% exercisable after 12 months	0.25	5 years
29 Nov 07	Directors	1,000,000	Vest immediately 50% exercisable after 6 months and 50% exercisable after 12 months	0.225	5 years
29 Nov 07	Directors	1,000,000	Vest immediately 50% exercisable after 6 months and 50% exercisable after 12 months	0.275	5 years
29 Nov 07	Directors	1,000,000	Vest immediately 50% exercisable after 6 months and 50% exercisable after 12 months	0.325	5 years
1 July 08	Investec Bank Ltd.	7,894,737	Vest immediately 50% exercisable after 6 months and 50% exercisable after 12 months	0.19	3 years
21 Jan 09	Key Management & employees	3,500,000	Vest immediately 50% exercisable after 6 months and 50% exercisable after 12 months	0.053	5 years
27 Nov 09	Directors	11,000,000	Vest immediately 50% exercisable after 6 months and 50% exercisable after 12 months	0.0554	5 years
31 Aug 10	Key Management & employees	1,650,000	Vest immediately 50% exercisable after 6 months and 50% exercisable after 12 months	0.036	5 years
27 May 11	Key Management & employees	1,000,000	Vest immediately 50% exercisable after 6 months and 50% exercisable after 12 months	0.065	5 years
Total outstanding share options (Unlisted)		36,469,737			

19. Share based payment (continued)

The number and weighted average exercise prices of share options is as follows:

	Weighted average exercise price 2011 $	Number of options 2011	Weighted average exercise price 2010 $	Number of options 2010
Outstanding at the beginning of the period	**0.132**	**34,069,737**	0.166	26,419,737
Expired/Forfeited during the period	**0.11875**	**(250,000)**	0.162	(3,350,000)
Exercised during the period	**-**	**-**	-	-
Granted during the period	**0.047**	**2,650,000**	0.0554	11,000,000
Outstanding at the end of the period	**0.126**	**36,469,737**	0.132	34,069,737
Exercisable at the end of the period		**34,644,737**		28,569,737

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on the Black-Scholes option pricing model. The contractual life of the option is used as an input into this model.

Fair value of share options and assumptions – **Executive options**	**Directors & mgmt personnel 2011**	**Directors & mgmt personnel 2010**
Fair value at grant date (weighted average)	**$0.039**	$0.032
Share price (grant date)	**$0.039**	$0.032
Exercise price (weighted average)	**$0.047**	$0.055
Expected volatility (expressed as weighted average annualised volatility used in the modelling under Black-Scholes option pricing model)	**106.00%**	121.00%
Option life (expressed as weighted average life used in the modelling under the Black-Scholes option pricing model)	**5.0 years**	5.0 years
Expected dividends	**Nil**	Nil
Risk-free interest rate (based on national government bonds)	**4.70%**	4.97%

The expected volatility is based on the historic volatility.

Share options are granted under an incentive scheme approved by shareholders for grants to directors, key management personnel, consultants and employees.

	Consolidated 2011 $	Consolidated 2010 $
Share options granted in 2010- equity settled	**-**	351,999
Share options granted in 2011- equity settled	**91,348**	-
Total expense recognised as director and employee costs	**91,348**	351,999

The expense recognised cost for the year ended 30 June 2011 above, was for options issued to key management and employees.

20. Provisions

Non-current	**Consolidated**	
	2011	**2010**
Site restoration	**$**	**$**
Balance at 1 July	**48,584**	42,110
Increase during the period	**192,760**	6,474
Balance at 30 June	**241,344**	48,584

The provision for site restoration relates to production tenement L14 Jingemia. This provision is reassessed on an annual basis and reflects Norwest's share of the present value of restoration costs.

21. Capital and reserves

(i) Consolidated

Reconciliation of movement in capital and reserves attributable to equity holders of the consolidated entity

Consolidated	**Share capital $**	**Share based payment reserve $**	**Retained earnings $**	**Total $**
Balance at 1 July 2010	**36,042,868**	**2,046,290**	**(34,388,935)**	**3,700,223**
Profit or loss	**-**	**-**	**(4,692,684)**	**(4,692,684)**
Other comprehensive income /(loss)	**-**	**-**	**(51,413)**	**(51,413)**
Equity-settled transactions net of tax	**-**	**91,348**	**-**	**91,348**
Shares issued (net of transaction costs)	**4,909,156**	**-**	**-**	**4,909,156**
Share options exercised/expired	**-**	**(17,341)**	**17,340**	**(1)**
Balance at 30 June 2011	**40,952,024**	**2,120,297**	**(39,115,692)**	**3,956,629**
Balance at 1 July 2009	32,382,149	1,804,684	(32,392,684)	1,794,149
Profit or loss	-	-	(2,084,945)	(2,084,945)
Other comprehensive income /(loss)	-	-	(21,699)	(21,699)
Equity-settled transactions net of tax	-	351,999	-	351,999
Shares issued (net of transaction costs)	3,660,719	-	-	3,660,719
Share options exercised/expired	-	(110,393)	110,393	-
Balance at 30 June 2010	36,042,868	2,046,290	(34,388,935)	3,700,223

Share based payment reserve
The share based payment reserve represents the fair value of share options issued to employees, directors, key consultants and Investec Bank Ltd. The fair value is measured at grant date and spread over the period during which the employees, Directors and key consultants become unconditionally entitled to the options.

Share capital

	Company Ordinary shares	
	2011 Number	**2010 Number**
On issue at 1 July	**587,278,582**	316,052,149
Issued	**145,291,363**	271,226,433
Conversion of listed options	**45,517**	-
On issue at 30 June – fully paid	**732,615,462**	587,278,582

22. Financial risk management

Overview:

The company and consolidated entity have exposure to the following risks from their use of financial instruments:

(a) credit risk

(b) liquidity risk

(c) market risk

This note presents information about the company's and consolidated entity's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. The board of directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the group through regular reviews of the risks.

(a) Credit risk:

Credit risk is the risk of financial loss to the consolidated entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the consolidated entity's receivables from customers, investment securities and its loans to subsidiaries. For the company it arises from receivables due from subsidiaries, re-charges to joint venture partners, oil sales, and royalty income on sale of oil.

(i) Investments:

The consolidated entity limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have an acceptable credit rating.

(ii) Trade and other receivables:

The consolidated entity operates predominantly in the oil and gas exploration sector. However, it does have trade receivables and is exposed to credit risk in relation to trade receivables.

The company's and consolidated entity's exposure to credit risk is influenced directly and indirectly by the individual characteristics of each customer. 100% of the group's revenue is with Origin Energy Ltd ("ORG") the consolidated entity's share of oil sales.

Trade receivables from oil sales are monitored to ensure any outstanding amounts are promptly received with appropriate supporting evidence. The perceived level of risk is low as ORG, an ASX 200 company has a history of prompt payment. ORG is an ASX listed, credit worthy organisation.

The company and consolidated entity have established an allowance for impairment that represents their estimate of incurred losses in respect of other receivables and investments. The main component of this allowance is a specific loss component that relates to individually significant exposures. The management does not expect any counterparty to fail to meet its obligations.

Presently, the company and consolidated entity derive their income from Australian operating assets.

(iii) Loans to subsidiaries:

The company has provided funding to its subsidiaries by way of loans. Based on management's review of the subsidiaries net tangible asset position and cash flow projections, the current carrying value of the loans have been assessed to be fully recoverable. Repayment of these loans will occur through future business activities of each respective entity.

22. Financial risk management (continued)

Exposure to credit risk:

Consolidated	**Carrying amount**	
	2011	2010
Trade and other receivables	**818,829**	836,821
Cash and cash equivalents	**1,727,323**	1,030,755
Total exposure	**2,546,152**	1,867,576

The company has made funding available to its subsidiaries by way of inter-group loans.

An impairment loss of $3,036,020 (2010: $306,264) in respect of inter-group loans was recognised during the current year based on an analysis of the subsidiaries respective financial positions, being management's assessment of each subsidiaries net tangible assets and cash flow projections.

The carrying amount of the company's and consolidated entity's financial assets represents the maximum credit exposure. The balance of this provision for diminution in value of inter-group loans may vary due to the financial position and performance of a subsidiary in a given year. The inter-group loans were payable but not called at 30 June 2011. See below for further details.

Impairment losses:

None of the company's or group's receivables are past due at balance date (2010: nil).
The movement in the allowance for impairment in respect of inter-group loans on a non-consolidated basis during the year was as follows:

Company	**Carrying amount**	
	2011	2010
Loan balance at 30 June	**16,653,761**	13,287,779
Provision for diminution in value of loans	**(13,582,011)**	(11,010,723)
Balance at 30 June	**3,071,750**	2,277,056

22. Financial risk management (continued)

(b) Liquidity risk:

Liquidity risk is the risk that the consolidated entity will not be able to meet its financial obligations as they fall due. The consolidated entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and condition of duress, without incurring unacceptable losses or risking damage to the consolidated entity's reputation.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves through continuously monitoring forecast and actual cash flows.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

Forecast contractual obligations:	Carrying amount $	Contractual cash flows $	6 mths or less $
Consolidated 30 June 2011:			
Trade and other payables	**(471,744)**	**(471,744)**	**(471,744)**
Consolidated 30 June 2010:			
Trade and other payables	(526,168)	(526,168)	(526,168)

(c) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the consolidated entity's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising returns.

(i) Currency risk:

The consolidated entity is exposed to currency risk on investments, revenue receipts from oil and gas sales and royalty income and foreign currency denominated purchases in currencies other than the respective functional currencies of group entities, primarily the Australian dollar (AUD). Other currencies which these transactions are denominated in are (USD), (GBP) and (Euro).

The consolidated entity has not entered into any derivative financial instruments to hedge such transactions or anticipated future receipts or payments that are denominated in a foreign currency.

The consolidated entity's investments in its subsidiaries are not hedged as those currency positions are considered to be long term in nature.

22. Financial risk management (continued)

Exposure to currency risk:

The Consolidated entity's exposure to foreign currency risk at balance date was as follows, based on notional amounts:

	30 June 2011				30 June 2010			
	AUD	**USD**	**GBP**	**Total AUD**	**AUD**	**USD**	**GBP**	**Total AUD**
Cash and equivalents	**1,437,511**	**19,962**	**269,850**	**1,727,323**	761,890	24,693	244,172	1,030,755
Trade and other receivables	**580,130**	**-**	**238,699**	**818,829**	564,176	-	272,645	836,821
Trade and other payables	**(307,093)**	**-**	**(164,651)**	**(471,744)**	(371,196)	-	(154,972)	(526,168)
Gross balance sheet exposure	**1,710,548**	**19,962**	**343,898**	**2,074,408**	954,870	24,693	361,845	1,341,408

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2011	**2010**	**2011**	**2010**
USD	**0.989**	0.882	**1.060**	0.856
GBP	**0.621**	0.558	**0.661**	0.568

Sensitivity analysis:

A 10 percent strengthening of the Australian dollar against the following currencies at 30 June would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2010.

Effect in AUD	Consolidated	
	Equity	**Profit or loss**
	$	**$**
30 June 2011		
USD	**(2,218)**	**(2,218)**
GBP	**(38,211)**	**(38,211)**
30 June 2010		
USD	(2,745)	(2,745)
GBP	(40,205)	(40,205)

A 10 percent weakening of the Australian dollar against the above currencies at 30 June would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

22. Financial risk management (continued)

Interest rate risk:

At balance date the consolidated entity had minimal exposure to interest rate risk, through its cash and equivalents held within financial institution.

	Consolidated 30 June 2011 $	Consolidated 30 June 2010 $
Variable rate instruments		
Cash and cash equivalents	**1,727,323**	1,030,755

Fair value sensitivity analysis for fixed rate instruments:

The company and the consolidated entity do not account for any fixed rate financial assets at fair value through profit or loss. Therefore, a change in interest rates at reporting date would not affect profit or loss or equity.

Fair values:

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

Consolidated	**30 June 2011**		**30 June 2010**	
	Carrying amount $	**Fair value $**	**Carrying amount $**	**Fair value $**
Trade and other receivables	**818,829**	**818,829**	836,821	836,821
Cash and cash equivalents	**1,727,323**	**1,727,323**	1,030,755	1,030,755
Trade and other payables	**(471,744)**	**(471,744)**	(526,168)	(526,168)
	2,074,408	**2,074,408**	1,341,408	1,341,408

The basis for determining fair values is disclosed in Note 3.

22. Financial risk management (continued)

Capital management:

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.

Equity attributable to shareholders of the Company	2011 $	2010 $
Equity	**3,956,629**	3,700,223
Total assets	**4,669,717**	4,274,975
Equity ratio in %	**84.7%**	86.6%
Average equity	**3,828,426**	2,747,186
Net Loss	**(4,744,097)**	(2,106,644)
Return on Equity in %	**(80.70)%**	(130.41)%

There were no changes in the consolidated entity's approach to capital management during the year. Neither the company nor any of its subsidiaries are subject to externally imposed capital requirements.

23. Commitments

Exploration expenditure commitments

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 when application is made and at other times. These obligations are not provided for in the financial report and are payable:

	Consolidated	
	2011 $	2010 $
Within one year	**1,638,106**	1,646,886
One year or later and no later than five years	**1,460,000**	5,627,385
Later than five years	**-**	-
	3,098,106	7,274,271

24. Consolidated entities

	Country of incorporation	Ownership interest 2011	Ownership interest 2010
Parent entity			
Norwest Energy NL	**Australia**		
Subsidiaries			
Westranch Holdings Pty Ltd	**Australia**	**100%**	100%
NWE (ZOCA 96-16) Pty Ltd	**Australia**	**100%**	100%
Norwest Holdings (UK) Pty Ltd *	**UK**	**100%**	100%
NWE Mirrabooka (UK) Pty Ltd *	**UK**	**100%**	100%
Zakros Holdings Ltd * [process of liquidation commenced]	**Cyprus**	**100%**	100%
Sonauto Holdings Ltd * [process of liquidation commenced]	**Cyprus**	**100%**	100%
NWE Appalachians LLC * [action to strike off commenced]	**USA**	**100%**	100%

In the financial statements of the company, investments in controlled entities are measured at cost. (Refer to Note 14.)

There are reasonable grounds to believe that the company and the consolidated entity identified in Note 24 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the company and those consolidated entities pursuant to ASIC Class Order 98/1418.

* Indicates companies not audited by Rothsay Chartered Accountants.

25. Reconciliation of cash flows from operating activities

	Note	Consolidated 2011 $	Consolidated 2010 $
Cash flows from operating activities			
Loss for the period		**(4,744,097)**	(2,106,644)
Adjustments for:			
Depreciation	16	**16,504**	18,984
Depletion expense	17	**399,307**	271,496
Foreign exchange losses		**62,484**	24,699
Exploration expenditure written off	17	**2,280,705**	566,269
Other non cash *[primarily relates to recovery of exploration expenditure]*		**1,467,604**	(342,116)
Equity-settled share-based payment	19	**91,348**	351,999
Operating profit before changes in working capital and provisions		**(426,145)**	(1,215,313)
(Increase)/decrease in trade and other receivables GST		**17,992**	(117,113)
Increase/(decrease) in provisions		**192,760**	6,475
Increase/(decrease) in trade and other payables GST		**(54,424)**	(5,013)
Increase/(decrease) in employee benefits		**-**	(8,414)
Net cash from operating activities		**(269,817)**	(1,339,378)

26. Related parties

The following were Key Management Personnel of the consolidated entity at any time during the reporting period and unless otherwise indicated were Key Management Personnel for the entire period:

Non-Executive Directors

Michael John Fry (Non-Executive Chairman)
(appointed as Non-Executive Director, 8 June 2009; appointed as Chairman, 18 September 2009)
Henry David Kennedy (Non-Executive Director)
(appointed 14 April 1997)

Executive Directors

Peter Lawson Munachen (Executive Director, CEO)
(appointed 26 November 2003; appointed as CEO 3 December 2008)

Executives

Ernest Anthony Myers (Company Secretary)
(appointed 29 March 2004)
John Michaels (Vice President – Business Development Norwest UK Holdings P.L.)
(appointed 28 May 2007, resigned 31 December 2010)

Key Management Personnel compensation

	Consolidated	
	2011	**2010**
	$	**$**
Short term salary & fees	**595,737**	641,866
Post employment superannuation	**-**	-
Share-based payments	**21,749**	351,999
Termination payments	**-**	-
	617,486	993,865

Other Key Management Personnel transactions with the Company or its controlled entities

Two of the Key Management Personnel hold positions in another entity that result in them having control or significant influence over the financial or operating policies of that entity.

The terms and conditions of the transactions with the directors and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

The aggregate amounts recognised during the year relating to Key Management Personnel and their related parties were as follows:

		Consolidated	
		2011	**2010**
		$	**$**
Key management personnel	**Transaction**		
PL Munachen and EA Myers	Accounting and administration - Resource Services International (Aust) Pty. Ltd.	**309,000**	216,000

The company used the services of Resource Services International (Aust) Pty. Ltd., in relation to the provision of accounting, administration, secretarial and office services. Messrs Myers and Munachen are directors and shareholders of Resource Services International (Aust) Pty. Ltd. Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms. The amount payable at 30 June 2011 was $11,057.29, (2010: $3,669.23).

The company also paid Mr Kevan Ashworth, the director of the UK subsidiaries for technical services during the year totalling $50,000, (2010: $50,000), as well as director Mr David Hedderwick $51,697.34 (2010: N/A)

26. Related parties (continued)

Options and rights over equity instruments granted as compensation
(i) 2011 financial year

The movement during the reporting period in the number of options over ordinary shares in Norwest Energy NL held, directly, indirectly or beneficially, by each Key Management Person, including their related parties, is as follows:

	Held at 1 July 2010	Granted	Exercised	Other changes	Held at 30 June 2011	Vested during the year	Vested and exercisable at 30 June 2011
Directors							
MJ Fry	1,500,000	-	-	-	1,500,000	1,500,000	3,000,000
PL Munachen	3,500,000	-	-	-	3,500,000	2,500,000	6,000,000
HD Kennedy	2,250,000	-	-	-	2,250,000	1,500,000	3,750,000
Executives							
EA Myers	900,000	250,000	-	-	1,150,000	125,000	1,025,000
JGC Michaels	2,000,000	500,000	-	-	2,500,000	250,000	2,250,000
	10,150,000	750,000	-	-	10,900,000	5,875,000	16,025,000

Other changes represent options that expired or were forfeited during the year.

(ii) 2010 financial year

	Held at 1 July 2009	Granted	Exercised	Other changes	Held at 30 June 2010	Vested during the year	Vested and exercisable at 30 June 2010
Directors							
MJ Fry	-	3,000,000	-	-	3,000,000	3,000,000	1,500,000
PL Munachen	1,750,000	5,000,000	-	(750,000)	6,000,000	5,000,000	3,500,000
HD Kennedy	1,250,000	3,000,000	-	(500,000)	3,750,000	3,000,000	2,250,000
Executives							
EA Myers	900,000	-	-	-	900,000	-	900,000
JGC Michaels	2,000,000	-	-	-	2,000,000	-	2,000,000
	5,900,000	11,000,000	-	(1,250,000)	15,650,000	11,000,000	10,150,000

26. Related parties (continued)

Movement in shares

(i) 2011 financial year

The movement during the reporting period in the number of ordinary shares in the company held, directly, indirectly or beneficially, by each Key Management Person, including their related parties, is as follows:

	Held at 1 July 2010	Purchases	Received on exercise of options	Sales	Held at 30 June 2011
Directors					
MJ Fry	**2,000,000**	**576,923**	**-**	**-**	**2,576,923**
PL Munachen	**4,243,173**	**576,923**	**-**	**-**	**4,820,096**
HD Kennedy	**28,707,908**	**2,307,692**	**-**	**-**	**31,015,600**
Executives					
EA Myers	**-**	**-**	**-**	**-**	**-**
JGC Michaels	**-**	**-**	**-**	**-**	**-**
	34,951,081	**3,461,538**	**-**	**-**	**38,412,619**

(ii) 2010 financial year

The movement during the reporting period in the number of ordinary shares in the company held, directly, indirectly or beneficially, by each Key Management Person, including their related parties, is as follows:

	Held at 1 July 2009	Purchases	Received on exercise of options	Sales	Held at 30 June 2010
Directors					
MJ Fry	**1,200,000**	**800,000**	**-**	**-**	**2,000,000**
PL Munachen	**1,361,905**	**2,881,268**	**-**	**-**	**4,243,173**
HD Kennedy	**25,889,432**	**2,818,476**	**-**	**-**	**28,707,908**
Executives					
EA Myers	-	-	-	-	-
JGC Michaels	-	-	-	-	-
	28,451,337	**6,499,744**	**-**	**-**	**34,951,081**

Subsidiaries

Loans are made by the company to wholly owned subsidiaries for capital purchases, project development and general administrative expenditure. Loans outstanding between the company and its subsidiaries have no fixed date for repayment and are non-interest bearing. During the financial year ended 30 June 2011, such loans to subsidiaries totalled $3,365,982 (2010: $814,430). On a net basis in the 2011 year the company loaned greater amounts than it received from its subsidiaries.

As a subsidiary realises proceeds on the sale or development of a project these are transferred to the company to reduce the inter-company loan balance.

27. Parent information

AT 30 JUNE 2011

	2011 $	2010 $
STATEMENT OF FINANCIAL POSITION		
Assets		
Current assets	**812,913**	1,239,921
TOTAL ASSETS	**4,474,978**	3,983,240
Liabilities		
Current liabilities	**272,017**	304,837
TOTAL LIABILITIES	**513,361**	353,421
Equity		
Contributed equity	**40,952,024**	36,042,868
Reserves	**2,120,297**	2,046,290
Accumulated losses	**(39,110,704)**	(34,459,339)
TOTAL EQUITY	**3,961,617**	3,629,819

28. Subsequent events

11 August 2011 - STP-SPA-0013
Norwest announced that Fugro Airborne Surveys Pty Ltd have commenced acquiring airborne Falcon Gravity Gradient data and magnetic data over the North Perth Basin Special Prospecting Authority STP-SPA-0013.

22 August 2011 – EP368/ EP426
Origin Energy Limited entered into an agreement with the operator of the EP368 and EP426 permits, Empire Oil & Gas NL to earn a 40% interest in the joint permits by funding 80% of the 3D seismic survey. Norwest will maintain its 20% equity in the adjoining exploration permits, the joint boundaries of which the North Erregulla prospect straddles. Norwest considers that the permits are under explored and as such elected not to dilute its interest but rather maintain its focus on the North Perth Basin.

31 August 2011 – Listed Options
Norwest sent a letter to option holders as detailed below:

PRIMARY OPTION
The Options (Primary Options) issued by Norwest on 14 February 2011 have an expiry date of 30 June 2012 and the company reminded the option holders of the unique features attaching to those options.

Each Primary Option has the following key terms and conditions:
(d) it will expire on 30 June 2012;
(e) its exercise price will be 10 cents per option;
(f) if it is exercised prior to 30 September 2011, it will entitle the person ("Applicant") exercising the option to a Secondary Option, the key terms and conditions of which are set out below. The Secondary Option will be offered to the Applicant in October 2011 with a disclosure document.

SECONDARY OPTION
The principal terms and conditions of the Secondary Option are:
(e) the term of the option will be from the date of the grant, which will be at the end of October 2011, through to 30 June 2013;
(f) its exercise price will be 20 cents per option, but its grant will be free;
(g) it will not be listed on the ASX;
(h) it will only be granted after the Applicant has received a disclosure document and has signed an application form for its grant.

Primary options not exercised by 30 September 2011 will remain quoted on the Australian Securities Exchange (ASX).

14 September 2011 – EP413 Arrowsmith-2, EP413 Joint Venture (Norwest 27.945% interest and operator)
The Arrowsmith-2 was successfully drilled in June 2011 as a proof of concept well to assess the shale gas/ tight gas potential of the permit area. Norwest was well placed to commence stimulation operations in early September 2011, however due to a third party referral to the Environmental Protection Authority ("EPA"), these plans were suspended, pending EPA and Western Australian Department of Mines and Petroleum ("DMP") approvals. On 14 September 2011, Norwest received approval from the DMP to commence hydraulic fracture stimulation of the Arrowsmith-2 well in the EP413 permit. Approval by the DMP follows the decision of the EPA not to assess the Arrowsmith-2 proposal.

Notwithstanding approval from the DMP and the decision of the EPA not to assess the Arrowsmith-2 proposal, the EPA decision is subject to an appeal process to the Minister for the Environment. An appeal has been lodged and is subject to review and determination by the Minister. In the meantime, that process has no impact on the activities of the project.

Other than the matters discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the company, to affect significantly the operations of the group, the results of those operations, or the state of affairs of the group, in future financial years.

Directors' Declaration

1 In the opinion of the Directors of Norwest Energy NL ('the Company'):

(a) the financial statements and notes, and the Remuneration Report set out in section 11 in the Directors' Report, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2011 and of their performance, for the financial year ended on that date; and

(ii) complying with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a);

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

2 There are reasonable grounds to believe that the Company and the Group entities identified in Note 24 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those Group entities pursuant to ASIC Class Order 98/1418.

3 The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer for the financial year ended 30 June 2011.

Signed in accordance with a Resolution of Directors:

Dated in Perth on this 29th day of September 2011.

Peter Lawson Munachen

Executive Director and Chief Executive Officer

ROTHSAY

Level 18, Central Park Building, 152-158 St Georges Terrace, Perth WA 6000
P.O. Box 8716, Perth Business Centre WA 6849
Phone (08) 6364 5076 www.rothsay.com.au

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF NORWEST ENERGY NL

Report on the financial report

We have audited the accompanying financial report of Norwest Energy NL (the Company") which comprises the balance sheet as at 30 June 2011 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the year.

Directors Responsibility for the Financial Report

The Directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The Directors are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's Responsibility

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

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

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

Independence

We are independent of the Company, and have met the independence requirements of Australian professional ethical requirements and the *Corporations Act 2001*.

Audit opinion

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

a) (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of their performance for the year ended on that date; and
(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;

b) the consolidated financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2011. 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.

Audit opinion

In our opinion the remuneration report of Norwest Energy NL for the year ended 30 June 2011 complies with section 300A of the *Corporations Act 2001*.

Rothsay

Rothsay

Graham R Swan
Partner

Dated 29 September 2011