

# Norwest Energy NL

ACN 078 301 505

## Notice of Annual Meeting Explanatory Statement



To assist Shareholders in their consideration of resolutions to be put to the Annual General Meeting of Shareholders of the Company to be held at the Holiday Inn City Centre, 788 Hay Street, Perth, Western Australia on Thursday, 29 November 2012 at 11.30am (WST).

## Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Shareholders of Norwest Energy NL (**Company**) will be held at the Holiday Inn City Centre, 788 Hay Street, Perth, Western Australia on Thursday, 29 November 2012 at 11.30am (WST) for the purpose of transacting the following business referred to in this Notice of Annual General Meeting.

### AGENDA

#### ORDINARY BUSINESS

##### Annual Financial Statements

To receive and consider the Annual Financial Statements, the Directors' Report and Auditor's Reports of the Company for the year ended 30 June 2012.

##### Resolution 1 – Adoption of Remuneration Report

To consider, and if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

*"That, the Remuneration Report as set out in the Annual Report for the year ended 30 June 2012 be adopted by Shareholders."*

##### Voting Exclusion

The Company will disregard any votes cast on Resolution 1 by or on behalf of a Restricted Voter. However, the Company need not disregard a vote if:

- (a) it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; and
- (b) it is not cast on behalf of a Restricted Voter.

Further, the Company will not disregard a vote cast by the Chair of the meeting as a proxy, if the appointment of the Chair expressly authorises the Chair to exercise the proxy even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. Shareholders should note that the Chair intends to vote any undirected proxies in favour of Resolution 1. Shareholders may also choose to direct the Chair to vote against Resolution 1 or to abstain from voting.

##### Resolution 2 – Re-Election of Director –Henry David Kennedy

To consider, and if thought fit, to pass, with or without amendment, the following resolutions as an ordinary resolution:

*"That Henry David Kennedy, who retires by rotation in accordance with the Constitution and, being eligible, is re-elected as a Director."*

##### Resolution 3 - Approval of 10% Placement Capacity

To consider and if thought fit, to pass, with or without amendment, the following resolution as a **special resolution**:

*"That for the purposes of Listing Rule 7.1A and for all other purposes, approval is given for the issue of Equity Securities totalling up to 10% of the issued capital of the Company at the time of issue, calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions set out in the Explanatory Statement."*

##### Voting Exclusion

The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

#### **Resolution 4 - Ratification of share placement**

To consider, and if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

*"That, for the purposes of Listing Rule 7.4 and all other purposes, the Company ratifies the allotment and issue of 37,392,250 Shares in the Company at an issue price of 5 cents (\$0.05) each to clients of Hartleys Limited and Patersons Securities Limited, on the terms set out in the Explanatory Statement."*

#### **Voting Exclusion**

The Company will disregard any votes cast on Resolution 4 by any person who participated in the issue and any associate of these persons.

However the Company will not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

#### **Resolution 5 – Adoption of New Constitution**

To consider and if thought fit, to pass, with or without amendment, the following resolution as a **special resolution**:

*"That, for the purposes of section 136 of the Corporations Act, the New Constitution tabled at the Meeting (excluding rule 16) and signed by the Chairman of the Meeting for the purposes of identification, be adopted as the constitution of the Company in place of the Existing Constitution, with effect from the close of the Meeting."*

#### **Resolution 6 – Approval of Proportional Takeover Provisions**

To consider and if thought fit, to pass, with or without amendment, the following resolution as a **special resolution**:

*"That, with effect from the close of the Meeting, the proportional takeover provisions set out in Annexure A to the Explanatory Statement to this Notice of Meeting be inserted into the Company's New Constitution as Rule 16."*

#### **Resolution 7 - Issue of Options to Michael Fry**

To consider, and if thought fit, to pass, with or without amendment, the following resolutions as an ordinary resolution:

*"That, for the purposes of Listing Rule 10.11 and section 208 of the Corporations Act and for all other purposes, the Company be authorised to issue 4,000,000 Options (each with an exercise price of 150% the closing price of the Shares as traded on ASX on the date of the Meeting and an expiry date of 4 years from the date of grant), to Michael Fry or his nominee(s), on the terms and conditions set out in the Explanatory Statement."*

#### **Voting Exclusion**

The Company will disregard any votes cast on Resolution 7 by Michael Fry and any associate of Michael Fry.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; and
- (b) it is not cast on behalf of Michael Fry or an associate of Michael Fry.

Further, a Restricted Voter who is appointed as a proxy will not vote on Resolution 7 unless:

- (a) the appointment specifies the way the proxy is to vote on Resolution 7; or
- (b) the proxy is the Chair of the Meeting and the appointment expressly authorises the Chair to exercise the proxy even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. Shareholders should note that the Chair intends to vote any undirected proxies in favour of Resolution 7. Shareholders may also choose to direct the Chair to vote against Resolution 7 or to abstain from voting.

## **Resolution 8 - Issue of Options to Peter Munachen**

To consider, and if thought fit, to pass, with or without amendment, the following resolutions as an ordinary resolution:

*“That, for the purposes of Listing Rule 10.11 and section 208 of the Corporations Act and for all other purposes, the Company be authorised to issue 8,000,000 Options (each with an exercise price of 150% the closing price of the Shares as traded on ASX on the date of the Meeting and an expiry date of 4 years from the date of grant) to Peter Munachen or his nominee(s), on the terms and conditions set out in the Explanatory Statement.”*

### **Voting Exclusion**

The Company will disregard any votes cast on Resolution 8 by Peter Munachen and any associate of Peter Munachen. However, the Company need not disregard a vote if:

- (a) it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; and
- (b) it is not cast on behalf of Peter Munachen or an associate of Peter Munachen.

Further, a Restricted Voter who is appointed as a proxy will not vote on Resolution 8 unless:

- (a) the appointment specifies the way the proxy is to vote on Resolution 8; or
- (b) the proxy is the Chair of the Meeting and the appointment expressly authorises the Chair to exercise the proxy even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. Shareholders should note that the Chair intends to vote any undirected proxies in favour of Resolution 8. Shareholders may also choose to direct the Chair to vote against Resolution 8 or to abstain from voting.

## **Resolution 9 - Issue of Options to Henry David Kennedy**

To consider, and if thought fit, to pass, with or without amendment, the following resolutions as an ordinary resolution:

*“That, for the purposes of Listing Rule 10.11 and section 208 of the Corporations Act and for all other purposes, the Company be authorised to issue 4,000,000 Options (each with an exercise price of 150% the closing price of the Shares as traded on ASX on the date of the Meeting and an expiry date of 4 years from the date of grant) to Henry David Kennedy or his nominee(s), on the terms and conditions set out in the Explanatory Statement.”*

### **Voting Exclusion**

The Company will disregard any votes cast on Resolution 9 by Henry David Kennedy and any associate of Henry David Kennedy. However, the Company need not disregard a vote if:

- (a) it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; and
- (b) it is not cast on behalf of Henry Kennedy or an associate of Henry Kennedy.

Further, a Restricted Voter who is appointed as a proxy will not vote on Resolution 9 unless:

- (a) the appointment specifies the way the proxy is to vote on Resolution 9; or
- (b) the proxy is the Chair of the Meeting and the appointment expressly authorises the Chair to exercise the proxy even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. Shareholders should note that the Chair intends to vote any undirected proxies in favour of Resolution 9. Shareholders may also choose to direct the Chair to vote against Resolution 9 or to abstain from voting.

## Other Business

To deal with any other business which may be brought forward in accordance with the Constitution and the Corporations Act.

Dated at Perth this 26th day of October 2012

By Order of the Board

E A Myers  
Company Secretary

**The Notice of Annual General Meeting, Notes, Explanatory Statement and Proxy Form should be read in their entirety. If a shareholder is in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.**

## NOTES

These notes form part of the Notice of Annual General Meeting. The Notice of Annual General Meeting should be read in conjunction with the accompanying Explanatory Statement.

Defined words and phrases used in this Notice of Annual General Meeting are defined in the Glossary to the accompanying Explanatory Statement.

## Voting Entitlements

In accordance with regulation 7.11.37 of the Corporations Regulations 2001, the Company has determined that a person's entitlement to vote at the Annual General Meeting will be the entitlement of that person set out in the Register of Shareholders as at 5.00pm (WST) on 27 November 2012.

## Proxies

A proxy form is attached to the end of the Explanatory Statement.

In accordance with section 249L of the Corporations Act, members are advised that:

- each member has a right to appoint a proxy;
- the proxy need not be himself or herself be a member of the Company;
- a member who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If no proportion or number is specified, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise half of the votes.

In accordance with section 250BA of the Corporations Act, the Company specifies the following information for the purposes of receipt of proxy appointments:

By mail and by hand during office hours.	288 Stirling Street, Perth, Western Australia 6000	By Facsimile:	+ 61 8 9227 3211
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Each member entitled to vote at the annual general meeting has the right to appoint a proxy to attend and vote at the meeting on his behalf. The member may specify the way in which the proxy is to vote on each resolution or may allow the proxy to vote at his discretion. The instrument appointing the proxy must be received by the Company at the address specified above at least 48 hours before the time notified for the meeting (proxy forms can be lodged by facsimile). If signing under a power of attorney, the power of attorney must be deposited at the Company's registered office for inspection and return, when the proxy is lodged.

## Bodies corporate

A body corporate may appoint an individual as its representative to exercise any of the powers the body may exercise at meetings of a company's shareholders. The appointment may be a standing one. Unless the appointment states otherwise, the representative may exercise all of the powers that the appointing body could exercise at a meeting or in voting on a resolution.

# Explanatory Statement to Shareholders to Accompany Notice of Annual General Meeting

This Explanatory Statement has been prepared for the information of Shareholders in Norwest Energy NL (**Company**) in connection with the Resolutions to be put to Shareholders at the Annual General Meeting of the Company to be held at the Holiday Inn City Centre, 788 Hay Street, Perth, Western Australia, on 29 November 2012 at 11.30am (WST).

## Section 1: The Resolutions

### Financial Statements and Reports

The Corporations Act and the Company's Constitution require the following reports in respect of the year ended 30 June 2012 to be laid before the meeting:

- (i) the Financial Report (which includes the financial statements and Directors' declaration); and
- (ii) the Directors' Report and the Auditor's Report.

No resolution is required to be moved in respect of this item.

In accordance with the Corporations Act, Shareholders as a whole will be given a reasonable opportunity at the Meeting to ask questions and make comments on the accounts and on the business, operations and management of the Company.

The Chairman will also provide Shareholders a reasonable opportunity to ask the Auditor questions relevant to:

- (i) the conduct of the audit;
- (ii) the preparation and content of the independent audit report;
- (iii) the accounting policies adopted by the Company in relation to the preparation of the accounts; and
- (iv) the independence of the auditor in relation to the conduct of the audit.

### Resolution 1 - Remuneration Report

Section 250R(2) of the Corporations Act provides that the Company is required to put the Remuneration Report to the vote of Shareholders. The Directors' Report contains the Remuneration Report which sets out the remuneration policy for the Company and reports the remuneration arrangements in place for the executive Directors, specified executives and non-executive Directors.

Section 250R(3) of the Corporations Act provides that Resolution 1 is advisory only and does not bind the Directors or the Company. A failure of Shareholders to pass Resolution 1 will not require the Directors to alter any of the arrangements in the Remuneration Report.

However, the Corporations Act has been amended by the Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Act 2011 (**Director and Executive Remuneration Act**) which came into effect on 1 July 2011.

The Director and Executive Remuneration Act introduced new sections 250U and 250Y, amongst others, into the Corporations Act, giving Shareholders the opportunity to remove the Board if the Remuneration Report receives a 'no' vote of 25% or more at two consecutive Annual General Meetings (**Two Strikes Rule**).

Under the Two Strikes Rule, where a resolution on the Remuneration Report receives a 'no' vote of 25% or more at two consecutive Annual General Meetings, the Company will be required to put to Shareholders at the second Annual General Meeting a resolution (**Spill Resolution**). If the Spill Resolution is passed by more than 50% of Shareholders, the Company must hold another meeting within 90 days at which all Directors (other than the managing director) who were in office at the date of approval of the applicable Directors' Report must stand for re-election.

It is noted that at the Company's 2011 AGM the votes cast against the remuneration report was less than 25% and accordingly, a Spill Resolution is not required for this AGM.

In summary, if the Remuneration Report receives a 'no' vote of 25% or more at this Meeting, Shareholders should be aware that if there is a 'no' vote of 25% or more at the next Annual General Meeting the consequences are that it may result in the re-election of the Board.

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The Chairman will allow a reasonable opportunity for Shareholders as a whole to ask about, or make comments on the Remuneration Report.

The Chairman intends to exercise all undirected proxies in favour of Resolution 1. If the Chairman of the Meeting is appointed as your proxy and you have not specify the way the Chairman is to vote on Resolution 1, by signing and returning the Proxy Form, the Shareholder is considered to have provided the Chairman with an express authorization for the Chairman to vote the proxy in accordance with the Chairman's intention.

## **Resolution 2 - Re-election of H D (David) Kennedy as a Director**

Pursuant to clause 15.2 of the Company's Constitution, Mr Kennedy, being a Director, retires by way of rotation and, being eligible, offers himself for re-election as a Director.

Mr Kennedy became a director of Norwest Energy NL on 14 April, 1997. He 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 (**Pan Pacific**), New Zealand Oil and Gas Limited (**NZOG**), Mineral Resources (NZ) Ltd and Otter Exploration NL (**Otter**). 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. As Chairman and Chief Executive of Kiwi International Resources NL and Associated Gold Fields NL (**AGF**), Mr Kennedy was involved in the discovery and development of the Obotan gold project in Ghana prior to AGF being merged with Resolute Samantha Ltd in May/June 1996. Mr Kennedy was formerly a director of Dragon Mining NL from July 1996 to February 2005), Sub-Sahara Resources NL (from July 1996 to 28 February 2007), Alkane Exploration NL (from July 2000 to August 2006) and is a Director of Pancontinental Oil & Gas NL (since August 1999).

Board Recommendation: The Directors (other than Mr Kennedy).

The Chairman of the Meeting intends to vote undirected proxies in favour of the re-election of David Kennedy.

## **Resolution 3 - Approval of 10% Placement Capacity**

### **3.1 General**

Listing Rule 7.1A enables eligible entities to issue Equity Securities up to 10% of its issued share capital through placements over a 12 month period after the annual general meeting (**10% Placement Facility**). The 10% Placement Facility is in addition to the Company's 15% placement capacity under Listing Rule 7.1.

An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. The Company is an eligible entity.

The Company is now seeking shareholder approval by way of a special resolution to have the ability to issue Equity Securities under the 10% Placement Facility pursuant to Listing Rule 7.1A.

The exact number of Equity Securities to be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to Section 3.2(c) below).

The Directors of the Company believe that Resolution 3 is in the best interests of the Company and unanimously recommend that Shareholders vote in favour of this Resolution. This Resolution is a special resolution requiring approving of 75% of the votes cast by Shareholders entitled to vote in order to be passed.

### **3.2 Description of Listing Rule 7.1A**

#### **(a) Shareholder approval**

The ability to issue Equity Securities under the 10% Placement Facility is subject to shareholder approval by way of a special resolution at an annual general meeting.

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**(b) Equity Securities**

Any Equity Securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities of the Company. As at the date of this Notice, the only quoted Equity Securities the Company has on issue are Shares.

**(c) Formula for calculating 10% Placement Facility**

Listing Rule 7.1A.2 provides that eligible entities which have obtained shareholder approval at an annual general meeting may issue or agree to issue, during the 12 month period after the date of the annual general meeting, a number of Equity Securities calculated in accordance with the following formula:

$$(A \times D) - E$$

**A** is the number of shares on issue 12 months before the date of issue or agreement:

(A) plus the number of fully paid shares issued in the 12 months under an exception in Listing Rule 7.2;

(B) plus the number of partly paid shares that became fully paid in the 12 months;

(C) plus the number of fully paid shares issued in the 12 months with approval of holders of shares under Listing Rule 7.1 and 7.4. This does not include an issue of fully paid shares under the entity's 15% placement capacity without shareholder approval;

(D) less the number of fully paid shares cancelled in the 12 months.

Note that A is has the same meaning in Listing Rule 7.1 when calculating an entity's 15% placement capacity.

**D** is 10%

**E** is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of shareholders under Listing Rule 7.1 or 7.4.

**(d) Listing Rule 7.1 and Listing Rule 7.1A**

The ability of an entity to issue Equity Securities under Listing Rule 7.1A is in addition to the entity's 15% placement capacity under Listing Rule 7.1.

At the date of this Notice, the Company has on issue 974,347,449 Shares and therefore has a capacity to issue:

(i) 146,152,117 Equity Securities under Listing Rule 7.1; and

(ii) subject to Shareholder approval being sought under Resolution 3, 97,434,745 Equity Securities under Listing Rule 7.1A.

The actual number of Equity Securities that the Company will have capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the formula prescribed in Listing Rule 7.1A.2.

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## (e) 10% Placement Period

Shareholder approval of the 10% Placement Facility under Listing Rule 7.1A is valid from the date of the Meeting at which the approval is obtained and expires on the earlier to occur of:

- (i) the date that is 12 months after the date of the Meeting at which the approval is obtained; and
- (ii) the date of the approval by shareholders of a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),

or such longer period if allowed by ASX (**10% Placement Period**).

## 3.3 Specific information required by Listing Rule 7.3A

Pursuant to and in accordance with Listing Rule 7.3A, information is provided in relation to the approval of the 10% Placement Facility as follows:

- (a) The Equity Securities will be issued at an issue price of not less than 75% of the VWAP for the Company's Equity Securities over the 15 Trading Days immediately before:
  - (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
  - (ii) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.
- (b) If Resolution 3 is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Facility, the existing Shareholders' voting power in the Company will be diluted. There is also a risk that:
  - (i) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Meeting; and
  - (ii) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date.

The below table shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of ordinary securities for variable "A" calculated in accordance with the formula in Listing Rule 7.1A(2) as at the date of this Notice.

The table also shows:

- (i) two examples where variable "A" has increased, by 50% and 100%. Variable "A" is based on the number of ordinary securities the Company has on issue. The number of ordinary securities on issue may increase as a result of issues of ordinary securities; and
- (ii) two examples of where the issue price of ordinary securities has decreased by 50% and increased by 50% as against the current market price.

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Variable 'A' in Listing Rule 7.1A.2		Dilution		
		\$0.0375 50% decrease in Issue Price	\$0.075 Issue Price	\$0.1125 50% increase in Issue Price
<b>Current Variable A</b> 974,347,449 Shares	<b>10% Voting Dilution</b>	97,434,745 Shares	97,434,745 Shares	97,434,745 Shares
	<b>Funds raised</b>	\$3,653,803	\$7,307,606	\$10,961,409
<b>50% increase in current Variable A</b> 1,461,521,174 Shares	<b>10% Voting Dilution</b>	146,152,117 Shares	146,152,117 Shares	146,152,117 Shares
	<b>Funds raised</b>	\$5,480,704	\$10,961,409	\$16,442,113
<b>100% increase in current Variable A</b> 1,948,694,898 Shares	<b>10% Voting Dilution</b>	194,869,490 Shares	194,869,490 Shares	194,869,490 Shares
	<b>Funds raised</b>	\$7,307,606	\$14,615,212	\$21,922,818

**The table has been prepared on the following assumptions:**

1	The Company issues the maximum number of Equity Securities available under the 10% Placement Facility.
2	The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
3	The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Facility, based on that Shareholder's holding at the date of the Meeting.
4	The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.
5	The issue of Equity Securities under the 10% Placement Facility consists only of Shares.
6	The issue price is \$0.075, being the closing price of the Shares on ASX on 9 October 2012.

- (c) The Company will only issue and allot the Equity Securities during the 10% Placement Period. The approval under Resolution 3 for the issue of the Equity Securities will cease to be valid in the event that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities or Listing Rule 11.2 (disposal of main undertaking).
- (d) The Company may seek to issue the Equity Securities for the following purposes:
- (i) non-cash consideration for the acquisition of new resource assets and investments. In such circumstances the Company comply with the minimum issue price limitation under Listing Rule 7.1A.3 and will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3; or
  - (ii) cash consideration. In such circumstances, the Company intends to use the funds raised for the accelerated fracking and evaluation program on the Company's Arrowsmith Shale Gas Project, to advance exploration on the UK Wessex Basin permits, to progress exploration on the Company's TP/15, EP368 and EP426 permits in the Perth Basin and for general working capital.

The Company will comply with the disclosure obligations under Listing Rules 7.1A(4) and 3.10.5A upon issue of any Equity Securities.

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The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of the allottees of Equity Securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:

- (iii) the methods of raising funds that are available to the Company, including but not limited to, rights issue or other issue in which existing security holders can participate;
  - (iv) the effect of the issue of the Equity Securities on the control of the Company;
  - (v) the financial situation and solvency of the Company; and
  - (vi) advice from corporate, financial and broking advisers (if applicable). The allottees under the 10% Placement Facility have not been determined as at the date of this Notice but may include existing substantial Shareholders and/or new Shareholders who are not related parties or associates of a related party of the Company.
- (e) The Company has not previously obtained Shareholder approval under Listing Rule 7.1A.
- (f) A voting exclusion statement is included in the Notice. At the date of the Notice, the Company has not approached any particular existing Shareholder or security holder or an identifiable class of existing security holder to participate in the issue of the Equity Securities. No existing Shareholder's votes will therefore be excluded under the voting exclusion in the Notice.

## **Resolution 4 - Ratification of Share Placement**

On 15 June 2012, the Company announced that it would be undertaking a share purchase plan pursuant to which it would raise up to \$5,000,000 through the issue of up to 100,000,000 Shares at an issue price of \$0.05 each to eligible Shareholders (**SPP**). On 19 July 2012, the Company announced that eligible Shareholders had taken up 62,607,750 Shares under the SPP and that it would be allotting the shortfall of 37,392,250 Shares to various sophisticated and professional clients of Hartleys Limited and Paterson's Securities Limited (**Shortfall Shares**). The Shortfall Shares were issued under the Company's 15% placement capacity under Listing Rule 7.1 on 19 July 2012.

Listing Rule 7.1 broadly provides that in any 12 month period, a company may issue securities up to 15% of its issued share capital without shareholder approval.

Listing Rule 7.4 permits the ratification of previous issues of securities made without prior shareholder approval, provided the issue did not breach the 15% threshold not be Listing Rule 7.1. The effect of such ratification is to restore a company's maximum discretionary power to issue further shares up to 15% of the issued capital of the company without requiring Shareholder approval.

Resolution 4 seeks Shareholder ratification of the issue of 37,392,250 Shortfall Shares.

The following additional information is provided to Shareholders in accordance with Listing Rule 7.5:

- a) 37,392,250 Shortfall Shares were issued.
- b) The price at which the Shortfall Shares were issued was \$0.05 per Share.
- c) The Shortfall Shares are fully paid ordinary shares in the capital of the Company ranking equally with existing Shares.
- d) The allottees were clients of Hartleys Limited and Patersons Securities Limited. None of the allottees were related parties of the Company.
- e) The funds raised of \$1,869,613 were used to fund further exploration expenditures and for working capital.

This resolution is an ordinary resolution requiring a simple majority of Shareholders present and voting.

**Board Recommendation: The Board recommends that shareholders vote in favour of this resolution.**

**The Chairman of the Meeting intends to vote undirected proxies in favour of the resolution.**

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## **Resolution 5 – Adoption of New Constitution**

The Company's existing constitution was adopted by shareholders at the Company's 2004 Annual General Meeting (**Existing Constitution**). Since that time, there have been a number of changes to Australian corporate law and practice, and accordingly, a number of references in the Existing Constitution are now out of date.

In light of the period of time since the Existing Constitution was adopted, and the number of proposed changes which are considered appropriate, the Board is proposing that a new constitution be adopted (**New Constitution**). The New Constitution complies with the Listing Rules and the Corporations Act and is consistent with constitutions for publicly listed no liability companies in Australia.

Copies of the Existing Constitution and the proposed New Constitution:

- are available for perusal by Shareholders at the Company's registered office on business days;
- can be viewed from the Company's website at [www.norwestenergy.com.au](http://www.norwestenergy.com.au); and
- can be obtained at no charge by written request by contacting the Company secretary on 08 9227 3240.

Resolution 5 seeks Shareholder approval to replace the Existing Constitution with the New Constitution as the Constitution of the Company with effect from the end of the Meeting. This Resolution is a special resolution requiring approving of 75% of the votes cast by Shareholders entitled to vote in order to be passed.

A summary of the primary differences between the Existing Constitution and New Constitution is set out below.

### **General**

The proposed New Constitution updates the Existing Constitution which contains some references which are now out of date. For example, the "ASTC Settlement Rules" is now known as the "ASX Settlement Operating Rules", and the "Australian Stock Exchange" is now known as the Australian Securities Exchange".

### **Preference shares**

The New Constitution codifies the terms of preference shares that are contained in the Listing Rules.

### **Share certificates**

The New Constitution does not contain the detail provided in the Existing Constitution regarding share certificates and CHESSE statements. As the Company is a listed company, the procedures regarding holding statements are governed by the ASX Settlement Operating Rules.

### **Calls on Shares**

The Existing Constitution and New Constitution contain similar provisions regarding the Directors ability to issue calls on Shares. However, the New Constitution contains more detailed provisions regarding the information which must be provided to Shareholders in a notice of a call.

### **Forfeited Shares**

The New Constitution contains more detailed provisions with respect to the sale of forfeited Shares. These provisions align with the requirements of section 254Q of the Corporations Act with respect to sale of forfeited shares in no liability companies.

### **Unmarketable parcels**

The provisions in the Existing Constitution and the New Constitution regarding the Company's rights to sell the Shares of a holder who holds less than a marketable parcel of those Shares are substantially similar, however the New Constitution gives the Company the right to deduct from the proceeds of the sale of an unmarketable parcel of Shares any amount which holder may owe the Company under a call (which right does not exist in the Existing Constitution).

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## Transfer of Shares

The New Constitution clarifies that the Company must not charge a fee for the transfer of Shares.

Under the New Constitution, the Directors have greater powers to decline the registration of a transfer of Shares. In addition to their rights to decline the registration of a transfer of Shares under the Existing Constitution, the Directors may decline a transfer under the New Constitution if:

- the transfer is not in registrable form;
- the Company has a lien on any of the Shares being transferred;
- the transfer may breach a law of Australia;
- the transfer is paper based and the transfer will create a new holding which is less than a marketable parcel; or
- the transfer is not permitted under the terms of an employee incentive scheme.

The New Constitution provides that the Company may only suspend the registration of the transfer of Shares for a period not exceeding a total of 30 days in any year. The Existing Constitution does not impose such a time limit.

## General Meetings

The New Constitution incorporates a number of provisions designed to assist with the orderly conduct of general meetings of the Company. The following table sets out the key differences between the Existing Constitution and the New Constitution with respect to the conduct of general meetings of the Company:

Item	Existing Constitution	New Constitution
Convening general meeting	Meeting may be convened by the Board or by requisition in accordance with the Corporations Act.	Meeting may be convened by a Director, the Board, or by Shareholders or the court in accordance with the Corporations Act.
Postponement, cancellation or change of venue of general meeting.	Directors may postpone, cancel or change the venue of a general meeting by notice to the ASX.	Directors must give at least 5 business days notice to ASX, each Shareholder, Director and auditor of the Company, of a postponement, cancellation or change of venue of a general meeting.
Quorum	2 Shareholders are required to constitute a quorum. If a quorum is not present within 30 minutes after the time appointed for the meeting the meeting shall be dissolved (if it had been called by a member) or adjourned (if it had been convened by the Directors).	If the number of members entitled to vote is 2 or more, 2 members is required for a quorum. If only 1 member is entitled to vote that member shall constitute a quorum. If a quorum is not present within 15 minutes after the time appointed for the meeting the meeting shall be dissolved (if it had been called by a member) or adjourned (if it had been convened by the Directors).
Chairman's right to refuse admission to a general meeting	No express rights	The chair of the meeting may refuse admission of a person to the meeting (or request a person to leave) if the person: <ul style="list-style-type: none"><li>• has an audio or visual recording device;</li></ul>

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		<ul style="list-style-type: none"> <li>• has a placard or banner;</li> <li>• has an article which the chair considers to be dangerous, offensive or liable to cause disruption;</li> <li>• refuses to produce or to permit examination of any article in the persons possession;</li> <li>• behaves or threatens to behave in a dangerous, offensive or disruptive manner; or</li> <li>• is not a Shareholder, Director or the auditor of the Company.</li> </ul>
Adjournment of meeting	The consent of the general meeting is required for the chair to adjourn the meeting.	The chair may adjourn the meeting without the consent of the general meeting.
Conduct of meeting	No express provisions	The New constitution expressly provides that the chair is responsible for the general conduct of the meeting and may require the adoption of any provision necessary or desirable for the proper and orderly conduct of the meeting, including with respect to debate and casting of votes at the meeting.
Direct voting	No provisions	The New Constitution introduces the concept of “direct voting” which enables members who are not present at the meeting to vote by post, facsimile, any online or electronic voting system or any other means approved by the Directors.

## Directors

The following table sets out the key differences between the Existing Constitution and the New Constitution with respect to Directors:

Item	Existing Constitution	New Constitution
Number of Directors	Minimum of 3, 2 of whom must reside in Australia, and a maximum of 9 (or such higher or lower number as members may determine by ordinary resolution from time to time).	Minimum of 3 (with no requirement that any be resident in Australia) and a maximum of 10, or such lower number as the Directors may determine provided they have been authorised by the Company in general meeting if required by the Corporations Act.

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Nomination of Director for election	A person (other than a Director seeking re-election) must give the Company a notice of nomination at least 30 business days prior to the meeting	The amount of notice required to be given is: <ul style="list-style-type: none"><li>• 35 business days (unless the meeting was requisitioned by members);</li><li>• 30 business days (if the meeting was requisitioned by members); or</li><li>• in either case, such shorter period as the Directors may approve.</li></ul>
Notice for convening meeting	At least 24 hours notice must be given.	At least 48 hours notice must be given unless the Directors unanimously agree to shorter notice.
Executive Directors	The appointment of a Director to the office of Executive Director must be for a term not exceeding 3 years.	No time limits imposed.

## Dividends

The Existing Constitution provides that the Company may only pay dividends out of profits. This reflected the former position under the Corporations Act. Under recent amendments to the Corporations Act, a company is no longer restricted to paying dividends out of profits. Accordingly, the New Constitution provides the Directors with the flexibility to pay any interim, special or final dividends as, in their judgment, the financial position of the Company justifies.

The Company's Directors unanimously recommend that Shareholders vote in favour of the adoption of the New Constitution. Each Director intends to vote all the Company's Shares controlled by him in favour of the Resolution.

If this Resolution is approved, the proposed New Constitution will be adopted from the close of the Meeting.

## Resolution 6 – Approval of proportional takeover provisions

As part of the proposal to adopt the New Constitution, it is intended to insert Rule 16 which contains similar proportional takeover approval provisions to those contained in the Existing Constitution.

The Corporations Act permits a company to include in its constitution provisions (called "takeover approval provisions") requiring that a proportional or partial takeover offer (ie. an offer for less than 100% of the shares but for the same proportion of each shareholder's shares) be approved by a majority of shareholders, before it may proceed.

The following information is provided under section 648G of the Corporations Act.

## Operation of the takeover approval provisions

By inserting proposed Rule 16 into the New Constitution, the registration of a transfer of Shares acquired under a proportional takeover offer will be prohibited unless an approving resolution is passed by shareholders in the Company in the manner provided in rule Rule 16 of the New Constitution.

The takeover approval provisions do not apply to a full takeover bid for all of the Shares in the Company.

If the proposed takeover approval provisions are adopted and a proportional takeover offer is subsequently made for Shares in the Company, the Directors must seek shareholder approval by a majority vote to register transfers under the proportional takeover bid. The shareholder approval can be obtained at a general meeting of shareholders.

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Those shareholders who are recorded on the register of members at the end of the day on which the first of the takeover offers under the proportional takeover bid is made (other than the bidder and its associates) are entitled to vote at the general meeting.

The resolution must be voted on at least 14 days before the last day of the offer period under the proportional takeover bid. If no such resolution has been voted on at least 14 days before the last day of the bid period then a resolution to approve the registration of transfers under the bid is taken to have been passed.

If the resolution is not passed by a majority of the shares voted, then the offer will be deemed to be withdrawn and registration of any transfer of shares resulting from the offer will be prohibited. Acceptances will be returned and any contracts formed by acceptance will be rescinded. If the resolution is approved, transfers of shares to the bidder will be registered provided they comply with the other provisions of the New Constitution.

The proposed Rule 16 will expire three years after the date of its adoption, unless renewed by Shareholders by special resolution.

## **Current acquisition proposals**

As at the day on which this explanatory statement is prepared, none of the directors of the Company is aware of a proposal by a person to acquire, or to increase the extent of, a substantial interest in the Company.

## **Advantages of the proposed provisions to shareholders**

Potential advantages of the inclusion of the takeover approval provisions are:

- The takeover approval provisions may enable Shareholders to act together and so avoid the coercion of Shareholders that might otherwise arise where they believe a partial offer is inadequate, but nevertheless accept through concern that a significant number of other Shareholders will accept.
- The takeover approval provisions may provide Shareholders with protection against being coerced into accepting a partial bid at a high premium where the bidder indicates its intention to mount a subsequent bid for the remaining Shares at a much reduced price. This puts pressure on Shareholders to accept the initial bid in order to maximise their returns.
- If a partial bid is made, the takeover approval provisions may make it more probable that a bidder will set its offer price at a level that will be attractive to Shareholders.
- The body of Shareholders may more effectively advise and guide the Directors' response to a partial bid.
- The takeover approval provisions may make it more probable that any takeover offer will be a full bid for the whole shareholding of each Shareholder, so that shareholders may have the opportunity of disposing of all their shares rather than only a proportion.

## **Disadvantages of the proposed provisions to Shareholders**

Potential disadvantages of including the takeover approval provisions are:

- By placing obstacles in the way of partial offers, the proposal may tend to discourage partial offers, thus reducing the opportunity for Shareholders to sell a portion of their holding.
- It is possible that the existence of the takeover approval provisions might have an adverse effect on the market value of the Company's Shares by making a partial offer less likely thus reducing any takeover speculation element in the Share price.
- An individual Shareholder who wishes to accept a partial offer will be unable to sell to the offeror unless a majority of Shareholders favour the partial takeover scheme.
- If a partial takeover offer is made, the Company will incur the cost of either calling a Shareholders meeting or conducting a postal ballot.

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## Advantages and disadvantages of the proposed provisions for the directors

- If the directors consider that a partial bid should be opposed, they will be assisted in preventing the bidder from securing control of the Company as the bidder will need a majority of votes to be cast in its favour by the independent Shareholders, before the bidder can succeed.
- On the other hand, under the takeover approval provisions, if a partial takeover offer is received, the Directors must call a meeting or conduct a postal ballot to seek the Shareholders' views. They must do so even if the directors believe that the offer should be accepted.
- At present, it is only the Directors who express any formal view on the adequacy or otherwise of a takeover bid, on behalf of the Company. Under the takeover approval provisions the most effective view on a partial bid will become the view expressed by the vote of the Shareholders themselves, at the meeting or through the postal ballot.
- The takeover approval provisions may make it easier for the Directors to discharge their fiduciary and statutory duties as Directors in the event of a partial takeover bid.

## Reasons for proposing the Resolution

Having considered the advantages and disadvantages to Shareholders and the Directors, the Directors have decided to put this Resolution to Shareholders, to give Shareholders an opportunity to take advantage of the protections which the takeover approval provisions offer, if a proportional takeover offer is made. This Resolution is a special resolution requiring approving of 75% of the votes cast by Shareholders entitled to vote in order to be passed.

## Resolutions 7 to 9 – issue of Options to Directors

The Company proposes to grant a total of 16,000,000 Options to Directors, Michael Fry, Peter Munachen and Henry Kennedy (or their nominee(s)) as follows:

Director	Number of Options
Michael Fry (or his nominee(s))	4,000,000
Peter Munachen (or his nominee(s))	8,000,000
Henry Kennedy (or his nominee(s))	4,000,000

Shareholders will be asked at the Meeting to approve the issue of Options to the Directors.

The Options will have an exercise price equal to 150% of the closing market price of the Shares as traded on ASX on the date of the Meeting, and expire on the date four years from their issue. The full terms of the Options are set out in Annexure B.

Rule 10.11 of the Listing Rules and section 208 of the Corporations Act prohibit the Company from issuing Options to Directors without the prior approval of shareholders. As approval is being sought from shareholders for the issue of Options pursuant to Listing Rule 10.11, approval is not required pursuant to Listing Rule 7.1.

The Options are to be issued to the Directors in recognition of their services to the Company and as an incentive for future performance. The Directors consider that the grant of the Options is a cost effective and efficient means for the Company to provide a reward and an incentive, as opposed to alternative forms of incentive, such as the payment of additional cash compensation.

The Company acknowledges the issue of Options to Non-executive Directors, Messrs Fry and Kennedy, is contrary to recommendation 8.2 of the ASX Principles of Good Corporate Governance and Best Practice Recommendations. However, the Board considers the grant of the Options to be reasonable in the circumstances given the Company's size and stage of development and the necessity to attract and retain the highest calibre of professionals to the role, whilst maintaining the Company's cash reserves.

The number of Options proposed to be granted to each Director has been determined based upon a consideration of:

- the remuneration of the Directors;
- the Directors wish to ensure that the remuneration offered is competitive with market standards. The Directors have considered the proposed number of Options to be granted will ensure that the Directors' overall remuneration is in line with market standards; and
- incentives to attract and ensure continuity of service of Directors who have appropriate knowledge and expertise.

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The 16,000,000 Options proposed to be issued will not be listed on the ASX and are not transferable.

The 16,000,000 Options may be exercised into to Shares by payment of the exercise price and may not have a present value at the date of grant. The Options may acquire future value dependent upon the extent to which the value of the Shares exceed the exercise price during the term of the Options.

In the event the Options are exercised and assuming an exercise price of 11.25cents (being 150% of the closing market price of Shares as traded on ASX on 9 October 2012 of 7.5 cents), the following amounts will need to be paid to the Company by the Directors:

<b>Director</b>	<b>Amount to be paid</b>
Michael Fry, or his nominee(s)	\$450,000
Peter Munachen, or his nominee(s)	\$900,000
Henry David Kennedy, or his nominee(s)	\$450,000
<b>Total</b>	<b>\$1,800,000</b>

The Company will therefore receive \$1,800,000 from the Directors should all the Options be exercised.

## Related Party Transactions Generally

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a *related party* of the public company *unless* either:

1. the giving of the financial benefits falls within one of the nominated exceptions to the provision; or
2. shareholder approval is obtained prior to the giving of the financial benefit and the benefit is given within 15 months after obtaining such approval.

For the purposes of Chapter 2E of the Corporations Act, each of the Directors is considered to be a related party of the Company.

Resolutions 7 to 9 provide for the grant of Option to the Directors which is a financial benefit which requires shareholder approval.

## Current Holdings

Set out below are details of each of the Directors' relevant interest in Shares of the Company as at the date of this Notice:

<b>Director</b>	<b>Number of Shares</b>
Michael Fry	5,782,704 <sup>1</sup>
Peter Munachen	8,406,274 <sup>2</sup>
Henry David Kennedy	37,265,900 <sup>3</sup>
<b>Total</b>	<b>51,454,878</b>

Notes:

<sup>1</sup> 4,182,704 Shares are held by Hilmed Pty Ltd, a company in which Mr Fry is a director and shareholder. 1,600,000 Shares are held by Fry Super Pty Ltd <A/C INXS Super Fund>. Mr Fry is a beneficiary of the INXS Super Fund.

<sup>2</sup> 2,583,667 Shares are held by Kala Nominees Pty Ltd, a company in which Mr Munachen is a director. 5,302,609 Shares are held by Corraline Pty Ltd, a company in which Mr Munachen is a director. 519,998 Shares are held by Resource Services International (Australia) Pty Ltd, a company in which Mr Munachen is a director.

<sup>3</sup> 1,730,098 Shares are held by Mr Kennedy personally. 32,883,365 Shares are held by Sundowner International Limited, a company in which Mr Kennedy is a director and shareholder. 1,483,173 Shares are held by Denne Pty Ltd (Kennedy Family Fund a/c), a company in which Mr Kennedy is a director and shareholder. 1,159,264 Shares are held by Denne Pty Ltd (Capital a/c), a company in which Mr Kennedy is a director and shareholder. 10,000 Shares are held by Mala Kennedy, Mr Kennedy's daughter.

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Set out below are details of each of the Directors' relevant interest in Options of the Company as at the date of this Notice:

<b>Director</b>	<b>Number of Options</b>
Michael Fry	3,000,000
Peter Munachen	5,000,000 <sup>1</sup>
Henry Kennedy	3,000,000 <sup>2</sup>
<b>Total</b>	<b>11,000,000</b>

Notes:

<sup>1</sup> 5,000,000 Options are held by Kala Nominees Pty Ltd, a company in which Mr Munachen is a director.

<sup>2</sup> 3,000,000 Options are held by Denne Pty Ltd (Capital a/c), a company in which Mr Kennedy is a director and shareholder.

## INFORMATION REQUIREMENTS

For the purposes of Chapter 2E of the Corporations Act the following information is provided.

***The related parties to whom the proposed resolutions would permit the financial benefit to be given:***

Subject to shareholder approval, the following maximum number of Options will be granted to the following related parties, or their respective nominees:

<b>Director</b>	<b>Number of Options</b>
Michael Fry, or his nominee(s)	4,000,000
Peter Munachen, or his nominee(s)	8,000,000
Henry Kennedy, or his nominee(s)	4,000,000
<b>Total</b>	<b>16,000,000</b>

### ***The nature of the financial benefit***

The proposed financial benefit to be given is the grant of Options for no consideration to the Directors as noted above.

### ***Directors' recommendation***

All the Directors were available to make a recommendation. For the reasons noted above:

Messrs Munachen and Kennedy (who have no interest in the outcome of Resolution 7) recommend that shareholders vote in favour of Resolution 7. Mr Fry declines to make a recommendation about Resolution 7 as he has a material personal interest in the outcome of that particular Resolution as it relates to the proposed grant of Options to him or his nominee(s).

Messrs Fry and Kennedy (who have no interest in the outcome of Resolution 8) recommend that shareholders vote in favour of Resolution 8. Mr Munachen declines to make a recommendation about Resolution 8 as he has a material personal interest in the outcome of that particular Resolution as it relates to the proposed grant of Options to him or his nominee(s).

Messrs Fry and Munachen (who have no interest in the outcome of Resolution 9) recommend that shareholders vote in favour of Resolution 9. Mr Kennedy declines to make a recommendation about Resolution 9 as he has a material personal interest in the outcome of that particular Resolution as it relates to the proposed grant of Options to him or his nominee(s).

***Other information that is reasonably required by members to make a decision and that is known to the Company or any of its Directors.***

The proposed ordinary Resolutions 7 to 9 would have the effect of giving power to the Directors to grant a total of 16,000,000 Options on the terms and conditions as set out in Annexure A to this Explanatory Statement and as otherwise mentioned above.

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The Company currently has 974,347,449 listed Shares and the following unlisted Options on issue:

Number	Exercise Price	Expiry Date
31,390	\$0.20	30 June 2013
3,500,000	\$0.053	21 January 2014
11,000,000	\$0.055	26 November 2014
1,650,000	\$0.036	25 August 2015
1,000,000	\$0.065	26 May 2016

If all Options granted as proposed above are exercised, and assuming all existing Options on issue have been exercised, the effect would be to dilute the share holding of existing shareholders by 3%. The market price of the Company's Shares during the period of the Options will normally determine whether or not the Directors exercise the Options. At the time any Options are exercised and Shares are issued pursuant to the exercise of the Options, the Company's Shares may be trading at a price which is higher than the exercise price of the Options.

The Directors' fees per annum (including superannuation) and the total financial benefit to be received by them in this current period as a result of the grant of the Options the subject of Resolutions 7 to 9 are as follows:

Director	Fees p.a. (\$)	Value of Options (\$)	Total Financial Benefit (\$)
Michael Fry	60,000	192,000	252,000
Peter Munachen	396,000	384,000	780,000
David Kennedy	50,000	192,000	242,000

The indicative option valuation of 4.9 cents is a theoretical valuation of each option using the binomial option pricing model.

## Valuation of Options

The Company's advisers have valued the Options to be granted to the Directors using a binomial option pricing model. The value of an option calculated by the binomial option pricing model is a function of a number of variables. The valuation of the Options has been prepared using the following assumptions:

Variable	Input
Share price	7.5 cents
Exercise price	11.25 cents
Risk Free Interest Rate	2.56%
Volatility	90%
Time (years to expiry)	5 years

The Company's advisers have calculated the value of each option based on the following assumptions:

1. They have based the underlying value of each share in the Company on the ASX closing price of 7.5 cents on 9 October 2012;
2. Risk free rate of return – 2.56% (based on the Australian Government 5 year bond rate);
3. They used a volatility of the share price of 90% as determined from the daily movements in share price over the last 12 months, adjusted for abnormal trading.

Based on the assumptions, it is considered that the estimated average value of the Options to be granted to the Directors is 4.9 cents per Option.

Any change in the variables applied in the binomial option pricing model between the date of the valuation and the date the Options are granted would have an impact on their value.

The following table gives details of the highest, lowest and latest closing prices of the Company's Shares trading on ASX over the past 12 months ending on 10 October 2012:

Highest Price (cents) / Date	Lowest Price (cents) / Date	Latest Price / Date
9.6 / 31 July 2012	2.9 / 30 November 2011, 1 December 2011 and 20 December 2011	6.8 / 10 October 2012

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## ***Other Information***

Under the Australian Equivalent of IFRS, the Company is required to expense the value of the Options in its statement of financial performance for the current financial year. Other than as disclosed in this Explanatory Memorandum, the Directors do not consider that from an economic and commercial point of view, there are any costs or detriments including opportunity costs or taxation consequences for the Company or benefits foregone by the Company in granting the Options pursuant to Resolutions 7 to 9.

Neither the Directors nor the Company are aware of other information that would be reasonably required by shareholders to make a decision in relation to the financial benefits contemplated by the proposed resolutions.

## ***Listing Rule 10.11***

Listing Rule 10.11 requires shareholder approval by ordinary resolution for any issue of securities by a listed company to a related party. Accordingly, Listing Rule 10.11 requires shareholders to approve the grant of Options to the Directors.

## ***Additional Information***

The following information in relation to the Options to be granted pursuant to Resolutions 7 to 9 is provided to shareholders for the purposes of Listing Rule 10.13:

- (a) the Options will be granted to the Directors, or their nominees, as noted above;
- (b) the maximum number of Options to be granted is 16,000,000;
- (c) the Options will be allotted and granted on a date which will be no later than 1 month after the date of this Meeting, unless otherwise extended by way of ASX granting a waiver to the Listing Rules;
- (d) the Options will be granted for no consideration;
- (e) no funds will be raised by the grant of the Options; and
- (f) the terms and conditions of the Options are set out in Annexure B to this Explanatory Statement.

If approval is given for the grant of the Options under Listing Rule 10.11, approval is not required under Listing Rule 7.1.

## **Voting**

Note that a voting exclusion applies to Resolutions 7 to 9 in the terms set out in the Notice of Meeting. In particular, the Directors and other Restricted Voters may not vote on these Resolutions and may not cast a vote as proxy, unless the appointment gives a direction on how to vote or the proxy is given to the Chair and expressly authorises the Chair to exercise your proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. The Chair will use any such proxies to vote in favour of the Resolutions.

Shareholders are urged to carefully read the proxy form and provide a direction to the proxy on how to vote on these Resolutions.

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## Section 2: Glossary of Defined Terms

The following terms and abbreviations used in this Explanatory Statement and Notice of Meeting have the following meanings:

**Accounting Standards** has the meaning give to it in the Corporations Act.

**AGM** means Annual General Meeting.

**Annual Report** means the annual report of the Company.

**ASX** means ASX Limited ABN 98 008 624 691 and, where the context permits, the Australian Securities Exchange operated by ASX Limited.

**Board** means the board of Directors.

**Business Day** has the meaning given to it in the Listing Rules.

**Closely Related Party** has the meaning given to it in the Corporations Act.

**Company** or **Norwest** means Norwest Energy NL (ABN 95 078 310 505).

**Constitution** means the Company's Constitution.

**Corporations Act** means the Corporations Act 2001 (Cth).

**Directors** means the directors of the Company.

**Dollar or \$** means Australian dollars unless otherwise indicated.

**Existing Constitution** means the existing constitution of the Company.

**Explanatory Statement** means this explanatory statement accompanying the Notice.

**Key Management Personnel** has the meaning given to it in the Accounting Standards.

**Listing Rules** means the official Listing Rules of the ASX.

**Meeting** means the annual general meeting the subject of the Notice.

**New Constitution** means the proposed new Constitution of the Company the subject of Resolution 5.

**Notice** means the Notice of Annual General Meeting accompanying this Explanatory Statement.

**Option** means an option to acquire a Share.

**Resolution** means a resolution contained in the Notice.

**Restricted Voter** means Key Management Personnel and their Closely Related Parties.

**Share** means an ordinary fully paid share in the Company.

**Shareholder** means the holder of one or more Shares.

**WST** means Western Australian Standard Time.

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## ANNEXURE A

### 16 Approval of Proportional Takeover Bids

#### 16.1 Definitions

In this rule:

- (a) **Approving Resolution**, in relation to a Proportional Takeover Bid, means a resolution to approve the Proportional Takeover Bid passed in accordance with rule 16.3 (Resolution);
- (b) **Proportional Takeover Bid** means an off-market bid that is made or purports to be made under section 618(1)(b) of the Corporations Act in respect of a specified proportion of shares included in a class of shares in the Company; and
- (c) **Approving Resolution Deadline**, in relation to a Proportional Takeover Bid, means the day that is 14 days before the last day of the bid period in respect of the Proportional Takeover Bid.

#### 16.2 Transfers not to be registered

Despite rules 5.1(g) and 5.2 (**Power to decline registration of transfers**), a transfer giving effect to a takeover contract resulting from the acceptance of an offer made under a Proportional Takeover Bid must not be registered unless and until an Approving Resolution to approve the Proportional Takeover Bid has been passed or is taken to have been passed in accordance with rule 16.3 (**Resolution**).

#### 16.3 Resolution

- (a) Where offers have been made under a Proportional Takeover Bid, the directors must:
  - (i) convene a meeting of the persons entitled to vote on the Approving Resolution for the purpose of considering and, if thought fit, passing an Approving Resolution to approve the Proportional Takeover Bid; and
  - (ii) ensure that such a resolution is voted on in accordance with this rule 16.3,
  - (iii) before the Approving Resolution Deadline in relation to that Proportional Takeover Bid.
- (b) The provisions of this constitution that apply to a general meeting of the Company apply:
  - (i) with any changes that the circumstances require, to a meeting convened under rule 16.3(a); and
  - (ii) as if the meeting convened under rule 16.3(a) were a general meeting of the Company.
- (c) The bidder under a Proportional Takeover Bid and any associates of the bidder are not entitled to vote on the Approving Resolution relating to that Proportional Takeover Bid and, if they do vote, their votes must not be counted.
- (d) Subject to rule 16.3(c), a person who, as at the end of the day on which the first offer under the Proportional Takeover Bid was made, held bid class shares is entitled to vote on the Approving Resolution relating to the Proportional Takeover Bid.
- (e) An Approving Resolution is to be taken to have been passed if the proportion that the number of votes in favour of the resolution bears to the total number of votes on the resolution is greater than 50%, and otherwise is to be taken to have been rejected.
- (f) If an Approving Resolution to approve a Proportional Takeover Bid has not been voted on in accordance with this rule 16.3 as at the end of the day before the Approving Resolution Deadline, an Approving Resolution to approve the Proportional Takeover Bid will be taken to have been passed in accordance with this rule 16.3.

#### 16.4 Sunset

Rules 16.1 (**Definitions**), 16.2 (**Transfers not to be registered**) and 16.3 (Resolution) cease to have effect at the end of three years beginning:

- (a) on the date this constitution is adopted by the Company; or
- (b) where those rules have been renewed in accordance with the Corporations Act, on the date those rules were last renewed.

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## ANNEXURE B

Terms and Conditions of the Options proposed to be issued to Directors

1 In these terms and conditions:

- (a) **ASX** means ASX Limited (ABN 98 008 624 691) and, where the context permits, the Australian Securities Exchange operated by ASX Limited.
- (b) **Company** means Norwest Energy NL (ABN 65 078 301 505).
- (c) **Corporations Act** means *Corporations Act 2001* (Cth).
- (d) **Director** means a director of the Company.
- (e) **Eligible Nominee** means spouse of a Director, a body corporate in which a Director is beneficially entitled to not less than 50% of the issued voting share capital, or a trustee of a family trust established for the benefit of the family of the Director, in their capacity as trustee.
- (f) **Exercise Price** means the exercise price set out in paragraph 3 of these terms and conditions.
- (g) **Listing Rules** means the official listing rules of the ASX.
- (h) **Option** means an option to subscribe for one Share.
- (i) **Share** means a fully paid ordinary share in the Company.
- (j) **Shareholder** means a holder of one or more Shares.
- (k) **Takeover Period** in relation to a takeover bid in respect of shares in the Company, means the period referred to in section 624 of the Corporations Act as extended under the Corporations Act, provided that where a takeover bid is publicly announced prior to the service of a bidder's statement on the Company in relation to that takeover bid, the Takeover Period is deemed to have commenced at the time of that announcement.

2 No monies are payable for the issue of the Options.

3 The Options will be exercisable at an exercise price of 150% of the closing price of Shares as traded on ASX on the day of the Company's 2012 annual general meeting.

4 The Options expire on the date 4 years from the date of grant.

5 An Option holder may exercise any of the Options during a Takeover Period.

6 Subject to the Listing Rules, an Option holder may not sell, transfer, assign, give or otherwise dispose of, in equity or in law, the benefit of the Options, other than to an Eligible Nominee of that Option holder.

7 The Options cannot be listed for official quotation on ASX nor on any other official stock exchange in any other country.

8 The Options are exercisable by the delivery to the Company of the Option exercise form appearing on the reverse of the option certificate stating the intention of the Option holder to exercise all or a specified number of the Options held by the Option holder accompanied by the option certificate and a cheque made payable to the Company for the Exercise Price for each of the Options to be exercised. An exercise of only some of the Options does not affect the rights of the Option holder to the balance of the Options held by the Option holder.

9 The Company must allot the resultant Shares and dispatch the holding statements within five business days of the exercise of the Options.

10 Shares allotted pursuant to an exercise of Options rank, from the date of allotment, equally with existing Shares of the Company in all respects.

11 The Company must immediately on allotment make application to have Shares allotted pursuant to an exercise of the Options listed for official quotation by ASX and any other stock exchange on which the Shares are quoted from time to time.

# Norwest Energy NL

ACN 078 301 505

- 12 There are no participating rights or entitlements inherent in the Options and holders are not entitled to participate in new issues of capital offered to shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 7 business days after the issue is announced. This will give Option holders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.
- 13 There will be no change to the Exercise Price of the Option or the number of Shares over which the Option is exercisable in the event of the Company making a pro rata issue of Shares or other securities to the holders of Shares (other than a bonus issue).
- 14 If there is a bonus share issue (**Bonus Issue**) to the holders of Shares, the number of Shares over which the Options are exercisable will be increased by the number of Shares which the Option holder would have received if the Options had been exercised before the record date for the bonus issue (**Bonus Shares**). The Bonus Shares must be paid up by the Company out of the profits or reserves (as the case may be) in the same manner as was applied in the Bonus Issue and upon issue rank equally in all respects with the other shares of that class on issue at the date of issue of the Bonus Shares.
- 15 In the event of a re-organisation of the issued capital of the Company the Options must be re-organised in accordance with the Listing Rules.







**Lodge your vote:**

 **By Mail:**  
Norwest Energy NL  
288 Stirling Street  
Perth WA 6000

Alternatively you can fax your form to  
(within Australia) 08 9227 3211  
(outside Australia) +61 8 9227 3211

┌ 000001 000 NWE  
MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030

**For all enquiries call:**

(within Australia) 1300 850 505  
(outside Australia) +61 3 9415 4000

## Proxy Form

 **For your vote to be effective it must be received by 11.30am (WST) Tuesday 27 November 2012**

### How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

#### Appointment of Proxy

**Voting 100% of your holding:** Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

**Voting a portion of your holding:** Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

**Appointing a second proxy:** You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

**A proxy need not be a securityholder of the Company.**

### Signing Instructions

**Individual:** Where the holding is in one name, the securityholder must sign.

**Joint Holding:** Where the holding is in more than one name, all of the securityholders should sign.

**Power of Attorney:** If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

### Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at [www.investorcentre.com](http://www.investorcentre.com) under the information tab, "Downloadable forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**Turn over to complete the form →**



View the annual report, 24 hours a day, 7 days a week:

**[www.norwestenergy.com.au](http://www.norwestenergy.com.au)**

To view and update your securityholding:

**[www.investorcentre.com](http://www.investorcentre.com)**

**Your secure access information is:**

**SRN/HIN: I999999999**



**PLEASE NOTE:** For security reasons it is important that you keep your SRN/HIN confidential.

MR SAM SAMPLE  
 FLAT 123  
 123 SAMPLE STREET  
 THE SAMPLE HILL  
 SAMPLE ESTATE  
 SAMPLEVILLE VIC 3030

**Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

IND

# Proxy Form

Please mark  to indicate your directions

## STEP 1 Appoint a Proxy to Vote on Your Behalf XX

I/We being a member/s of Norwest Energy NL hereby appoint

the Chairman of the Meeting **OR**

**PLEASE NOTE:** Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Norwest Energy NL to be held at the Holiday Inn City Centre, 788 Hay Street, Perth, Western Australia on Thursday, 29 November 2012 at 11.30am (WST) and at any adjournment or postponement of that Meeting.

**Chairman authorised to exercise undirected proxies on remuneration related resolutions:** Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Items 1, 7, 8 & 9 (except where I/we have indicated a different voting intention below) even though Items 1, 7, 8 & 9 are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

**Important Note:** For Item 7, this express authority is also subject to you marking the box in the section below.

If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Items 1, 7, 8 & 9 by marking the appropriate box in step 2 below.

**Important for Item 7:** If the Chairman of the Meeting is your proxy and you have not directed the Chairman how to vote on Item 7 below, please mark the box in this section. If you do not mark this box and you have not otherwise directed your proxy how to vote on Item 7, the Chairman of the Meeting will not cast your votes on Item 7 and your votes will not be counted in computing the required majority if a poll is called on this Item. The Chairman of the Meeting intends to vote undirected proxies in favour of Item 7 of business.

I/We acknowledge that the Chairman of the Meeting may exercise my/our proxy even if the Chairman has an interest in the outcome of Item 7 and that votes cast by the Chairman, other than as proxy holder, would be disregarded because of that interest.

## STEP 2 Items of Business PLEASE NOTE: If you mark the Abstain box for a resolution, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

	For	Against	Abstain		For	Against	Abstain
1 Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	7 Issue of Options to Michael Fry	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Re-election of Director - Henry David Kennedy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	8 Issue of Options to Peter Munachen	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Approval of 10% Placement Capacity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	9 Issue of Options to Henry David Kennedy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Ratification of share placement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
5 Adoption of New Constitution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
6 Approval of Proportional Takeover Provisions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				

The Chairman of the Meeting intends to vote all available proxies in favour of each item of business.

## SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

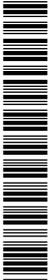
Contact Name \_\_\_\_\_

Contact Daytime Telephone \_\_\_\_\_

Date / / \_\_\_\_\_



Norwest Energy NL  
ABN 65 078 301 505



┌ 000001 000 NWE  
MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030

Dear Securityholder,

We have been trying to contact you in connection with your securityholding in Norwest Energy NL. Unfortunately, our correspondence has been returned to us marked "Unknown at the current address". For security reasons we have flagged this against your securityholding which will exclude you from future mailings, other than notices of meeting.

Please note if you have previously elected to receive a hard copy Annual Report (including the financial report, directors' report and auditor's report) the dispatch of that report to you has been suspended but will be resumed on receipt of instructions from you to do so.

We value you as a securityholder and request that you supply your current address so that we can keep you informed about our Company. Where the correspondence has been returned to us in error we request that you advise us of this so that we may correct our records.

You are requested to include the following;

- > Securityholder Reference Number (SRN);
- > ASX trading code;
- > Name of company in which security is held;
- > Old address; and
- > New address.

Please ensure that the notification is signed by all holders and forwarded to our Share Registry at:

Computershare Investor Services Pty Limited  
GPO Box 2975  
Melbourne Victoria 3001  
Australia

Note: If your holding is sponsored within the CHESS environment you need to advise your sponsoring participant (in most cases this would be your broker) of your change of address so that your records with CHESS are also updated.

Yours sincerely

**Mr Earnest Anthony Myers**  
Company Secretary

