2012 ANNUAL REPORT

MAGNUM GAS & POWER

Formerly Ormil Energy Limited

CONTENTS

CORPORATE DIRECTORY

Board of Directors

Edward (Ted) Ellyard	Non Executive Chairman
Trent Wheeler	Managing Director
Tom Fontaine	Non Executive Director
Raalin Wheeler	Non Executive Director
Brett Montgomery	Non Executive Director

CFO and Company Secretary
Mark Pitts

Registered Office
Suite 8, 7 The Esplanade
Mt Pleasant, Western Australia 6153
Tel: (08) 9316 9100
Fax: (08) 9315 5475

Principal Place of Business:
78 Churchill Av, Subiaco 6008
Tel: (08) 9380 6755
Fax: (08) 9380 4026

Auditor
Deloitte
Grosvenor Place
225 George Street
Sydney NSW 2000

Share registry
Computershare
Level 2, 45 St Georges Terrace
Perth WA 6000
www.computershare.com.au

Stock Exchanges
ASX under ticker code "OMX" ("MPE" with effect from 9 November 2012)

Name Change
Subsequent to lodgement of the 30 June 2012 Financial Statements the Company applied for a name change from Ormil Energy Limited to MAGNUM GAS & POWER LIMITED. As the Company has an Entitlement Offer on foot, ASX has advised that the ticker code will not be changed from OMX to MPE until 9 November 2012. References throughout this document to Ormil Energy Limited or Magnum Gas & Power Limited are references to the same entity.

LETTER FROM THE CHAIRMAN

Dear Fellow Shareholder,

I am pleased to present to you the 2012 Annual Report for Magnum Gas & Power Limited ("Magnum") and my first as Chairman. Our Company has had a busy and transformational year and I believe is well positioned in the Coal Bed Methane ("CBM") sector for growth over the forthcoming year. Some of the achievements during the year and up to this reporting date were:

- Change of company name from Ormil Energy Ltd to Magnum Gas & Power Limited
- Complete takeover of 100% shareholding of Energy Botswana Limited
- Relocation of corporate office to Perth, Western Australia, change of Company Secretary and changes to the board of Directors.
- Appointment of Trent Wheeler as Managing Director to reflect the new focus on the company's CSG assets in Botswana.
- Currently completing a partially underwritten share rights issue to raise approximately $4 million in cash.

In addition to the Companys CSG assets in the Sydney Basin, in Australia, there is now a much broader portfolio of projects in Botswana including CBM prospecting licences and a recently granted petroleum licence. Both of the project areas are in well documented coal basins and the company's lease areas have large contingent gas resources, as stated by independent industry experts. In the three joint venture licence areas in the Sydney Basin, MHA Petroleum Consultants have estimated a potential CSG contingent resource of 1.3 Trillion Feet of Gas (TCF). Whilst in the five licence areas held by the 100% owned Energy Botswana Limited, the consultants Advanced Resources International have estimated a potential CBM Gas In Place resource of up to 12.6 TCF. Of course these are only resource estimates and the company must now embark on an extensive programme of drilling and testing to prove up reserves and then develop this large energy resource.

The Sydney Basin assets in Australia were first acquired in June 2010 via a purchase of a 20% interest in the Apex Energy NL licence areas in the Sydney Coal Basin, subject to certain expenditure commitments. During the year, Ormill Energy (now Magnum) has drilled , completed and tested exploration well, named AB DDH1. The well encountered a 2.1 metre coal seam and analysis of the well testing indicated fair to good permeability. Unfortunately, the project has been hindered by unwarranted negative publicity, delays by government authorities and more recently some uncertainty in the renewal of one of the three licence areas. Consequently, the Company will focus on the Botswana assets until it is more comfortable with the long term CBM exploration and development environment in NSW. However, the Company is confident that in the long term this project will have considerable value and be part of Sydney's energy mix.

Emphasis over the coming year will be on the Botswana project areas. This country is rated one of the best in Africa and in the world in terms of little or no corruption and a favorable investment and pro-mining government and with a ready energy market for gas. The company plans to drill several wells and undertake testing work over the next 12 months. The aim will be to move a portion of the contingent resource into 2P and 3P reserves. The board is confident that we will be able to present success in the Botswana project in the coming 12 months.

I would like to thank our two managing directors over the past twelve months, Tom Fontaine and Trent Wheeler. The change in fortunes for the company and the move into Botswana is due largely to their efforts and early recognition of the benefits of merging the two companies. Tom has been a long term advocate and financial supporter of both Ormil Energy (now Magnum) and Energy Botswana. Following the shareholder meeting in September, the MD role has moved to Trent and Tom will continue his involvement as a non-executive Director. Trent has worked tirelessly over the past few months, planning and executing the corporate merger and to re-locate the company to Perth Western Australia. I am confident in his ability to manage the company and to achieve our aims for the coming year.

Lastly, I would like to thank our long term shareholders for their patience during the period of low activity and to welcome new shareholders following the merger of Energy Botswana and the recent capital raising. Your support has put Magnum into an exciting position to becoming a producer of energy from CSG and to create shareholder wealth.

Yours sincerely

Ted Ellyard
Chairman

BACK TO CONTENTS

I am very pleased to be writing to you, our valued shareholder, after having completed the merger of Ormil Energy Ltd and Energy Botswana Ltd. It is our belief that the merger provides numerous benefits to the Magnum Gas & Power Limited shareholders, "the whole is greater than the sum its parts".

The merger provides the former Ormil Energy shareholders with an interest in significant early stage Coal Bed Methane (and now also Petroleum) Exploration projects in Botswana, Africa. Having operated in Botswana for approximately six years, we can confirm firsthand the internationally acclaimed sovereign environment which makes it such a sought after investment destination in Africa. Exploration activities will re-commence on the Botswana projects in the first quarter of 2012. The potential of Magnum's projects are reinforced by our neighbouring permit holders who are significant international companies, such as Origin Energy, Sasol and Exxaro, who are also progressing basin resource and reserve certification. All within a region that has significant energy requirements.

The merger provides the former Energy Botswana shareholders with an interest in Australian CBM projects that, although essentially stalled for some period, have existing reserves and are within a region of increasing energy needs. Importantly, it also provided a listed vehicle (and mechanism) to enhance our ability to raise capital for further exploration activities and increase liquidity through securities tradable on the ASX. We wish to thank the Energy Botswana shareholders for their 100% support of the takeover.

working to integrate the projects, teams and operations to expedite and optimise the potential value from the next phases of exploration

I wish to sincerely thank the former board members for their assistance during this process. In particular, I wish to thank the former Managing Director, Mr Tom Fontaine, for his continuous support and efforts, which I know will be ongoing as we progress.

Further, I would like to thank the current board and supporting professional advisors and corporate services teams that worked tirelessly to complete the takeover process quickly.

Your current board and company are working to integrate the projects, teams and operations to expedite and optimise the potential value from the next phases of exploration. Magnum will also be reviewing additional project opportunities and strategic relationships for both the core business and to potentially enable opportunities from a more vertically integrated Company.

The recently commenced entitlement offer will provide capital for the next phase of exploration and gives an opportunity to existing shareholders to increase their interest in the merged company prior to the exploration programme recommencing. We look forward to completing the entitlement offer shortly and focussing on kicking off exploration activities in the new year with the aim of adding value for you, the Magnum shareholders.

CORPORATE

Overview

The 2012 financial year included few corporate matters, other than a change to the Board of Directors in November 2011. However, the period did lay the ground work for the flurry of corporate activity that is evident since the announcement of the takeover of Energy Botswana on the 19th June 2012. Although the bulk of this activity is subsequent to the end of financial year 2012, below is a summary of various announcements, major milestones and activities. The takeover and entitlement issue provides Magnum with a strong foundation to progress the portfolio of prospective projects.

Take-Over of Energy Botswana Limited

- 26 September 2011 – Energy Botswana Ltd merger proposal to Ormil Energy Ltd
- 24 December 2011 – Terms of merger agreed in principle
- 15 February 2012 – First submission to ASX regarding takeover transaction
- 19 June 2012 – Takeover Bid for Energy Botswana Ltd announced
- 16 July 2012 – Bidder's Statement for Energy Botswana Ltd lodged
- 16 July 2012 – Target's Statement lodged
- 30 July 2012 – Energy Botswana Ltd Takeover Bid Conditions Freed
- 20 August 2012 – Extension to Offer Period
- 24 August 2012 – Energy Botswana Ltd Takeover Completed

Board and Officers

- 22 November 2011 – Mr A. A. Davis resigned as Chairman and as a Director
- 22 November 2011 – Prof I. Plimer resigned as a Director
- 22 November 2011 – Mr E. Ellyard was appointed as a Non-Executive Director and Chairman
- 6 August 2012 – Mr Trent Wheeler was appointed as an Executive Director
- 6 August 2012 – Mr Raalin Wheeler was appointed as a Non-Executive Director
- 27 September 2012 – Mr Mark Ohlsson resigned as Company Secretary
- 27 September 2012 – Mr Mark Pitts was appointed Company Secretary
- 27 September 2012 – Mr Peter Curry resigned as a Director
- 27 September 2012 – Mr Tom Fontaine resigned as Managing Director
- 27 September 2012 – Mr Trent Wheeler appointed as Managing Director

Entitlement Offer

- 28 August 2012 – Notice of General Meeting
- 29 August 2012 – Non-Renounceable Issue Offer Document lodged
- 10 October 2012 – Despatch of Entitlement Issue Offer Document

Office

Magnum has relocated the corporate office from Sydney to Perth and consolidated this with the Perth based Energy Botswana team, in new offices in Subiaco, Perth, Western Australia. The Perth office will be the head office overseeing both the Botswana and New South Wales projects.

BOTSWANA

Overview

Botswana is a fast growing hub of capability in the sub-Saharan Africa region. Widely referred to as the "Switzerland" of Africa it has had the reputation for being the best performing economy in Africa over the last two decades. Over the thirty years from independence in 1966 to the mid 1990's Botswana was the fastest growing economy in the world with average annual GDP growth rates over 10%. Per capita income is currently around US$8,800, the fourth highest in Africa. Since then the growth rate has slowed to highly respectable (by international standards) rates of around 5-6%.

Botswana is widely considered to be one of the leading countries in Africa in respect of governance and this is reflected in the independent legal system, high quality of public institutions and low level of corruption. The Ibrahim Index of African Governance widely respected as the most comprehensive corruption index, ranked Botswana as the 3rd best country in Africa (after Mauritius and Cape Verde) in both 2010 and 2011. Resource Stocks World Risk Survey 2011ranked Botswana as the 4th best country in the World (out of 72 countries reviewed) for Mining and Petroleum Investment, with Australia being a very respectable 7th.

Magnum's wholly owned Botswana subsidiary Nata Energy (Pty) Ltd has secured a significant portfolio of Botswana prospecting licences over acreage that is prospective for Coal Bed Methane ("CBM"). The portfolio has been focused on the strategic areas of two prospective basins within the vast Kalahari Karoo basin, the Northern Project area being in the Nata region over the "Ngwasha" basin and the Central Project area being over the "Mmashoro" basin.

Magnum's wholly owned Botswana subsidiary Baobab Resources (Pty) Ltd has secured a significant Petroleum Exploration Licence in the north of Botswana.

CBM Projects

Overview

Botswana has a large coal resource, estimated at 17 billion tones (SADC, 2001).

The main coal bearing sequence is typically composed of two to three principal seams that are often interbedded with organically rich shales. These shales also contain gas and are analogous to the carbonaceous shales which are currently some of the most actively drilled natural gas plays in the U.S.

The Karoo Group is named after the classic and distinctive sedimentary relationships exposed in the Great Karoo Basin of South Africa that were deposited during the Permian-age Gondwana supercontinent assembly and its later Triassic breakup. Because of similar depositional and tectonic environments related to Gondwana deposition, Gondwana geology is similar across southern Africa, Australia, Brazil and India.

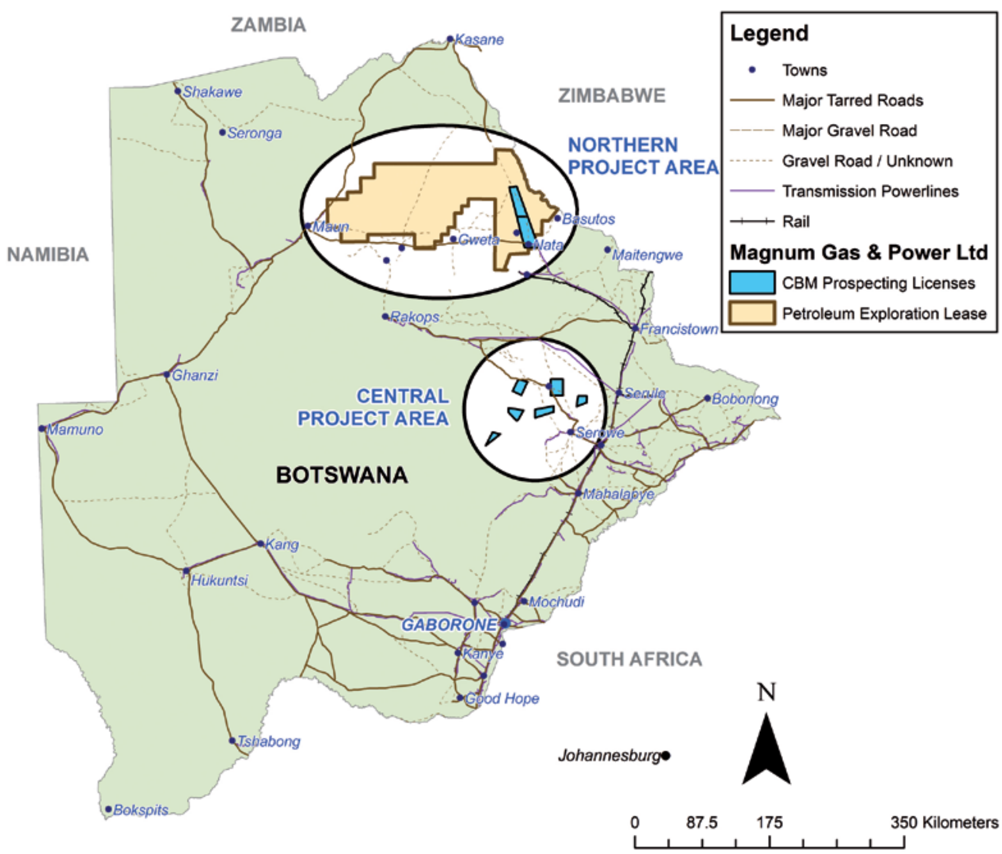
The Botswana Department of Geological Survey reports that 196 Tcf of "gas in place" is present in the coal and carbonaceous shale sequences in the central Kalahari Karoo Basin in Botswana.

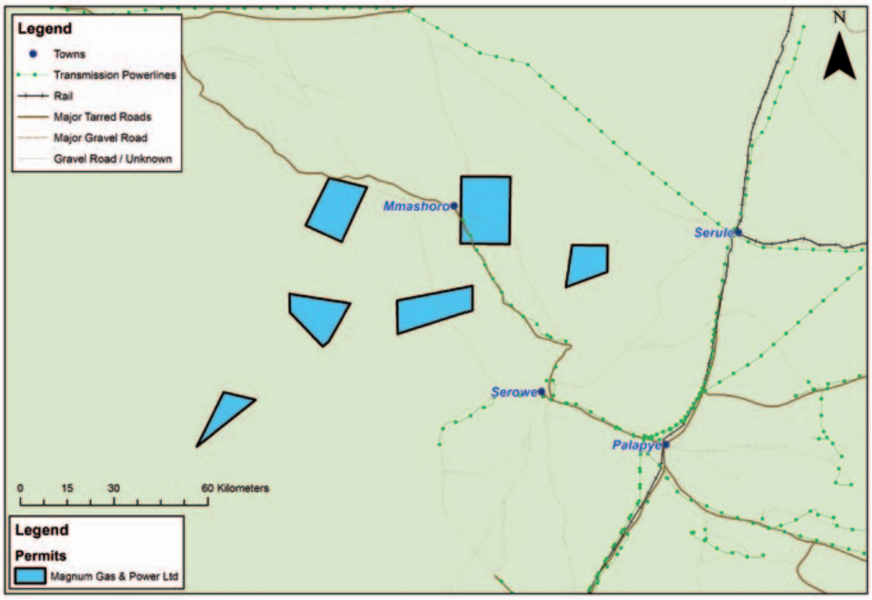
In March 2011 the Ministry of Minerals Energy and Water Resources announced a Moratorium on Applications for Coal and Coal Bed Methane while they reviewed internal policies, legislation and focussed on developing a Coal Roadmap, to formulate a strategy to monetize the vast coal resources of Botswana. The moratorium was lifted in early 2012, while legislation is still under review.

The Magnum CBM exploration portfolio consists of multiple CBM Prospecting Licences focused on two separate project areas, within the overall central Kalahari Karoo basin.

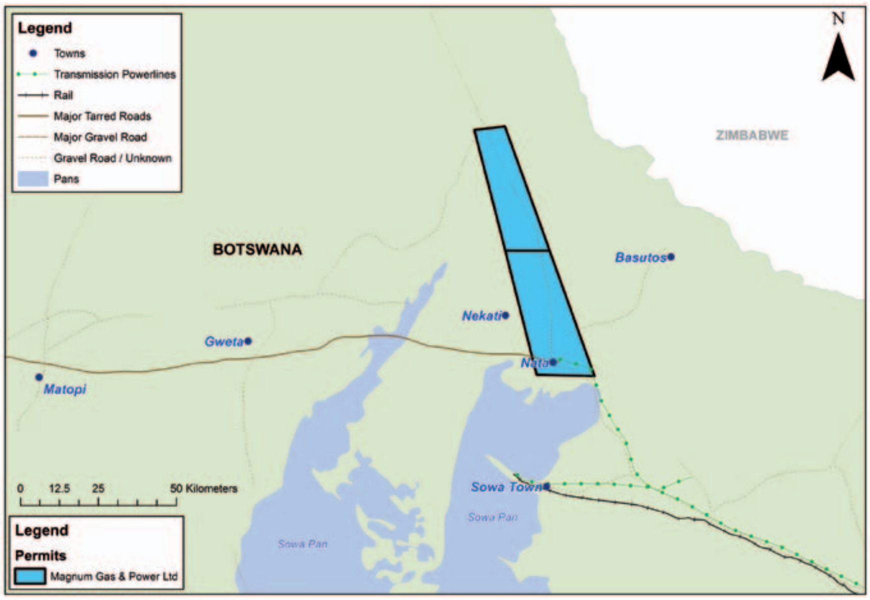
The "Central CBM Project" consists of six blocks, totalling 1,205 km^2, of prospecting licences over prospective CBM acreage across the "Mmashoro" basin in the Mmashoro Region.

The "Northern CBM Project" consists of 1,132 km^2 of prospecting licences over prospective CBM acreage across the "Ngwasha" basin in the Nata Region.





Central CBM Project Area



Northern CBM Project Area

Pre-Feasibility studies completed by Independent consultants have estimated a Gas In Place resource of 12.6 Trillion cubic feet, 6.7 Trillion cubic feet being economically recoverable, over the prospecting licences held by Magnum.

Exploration

No exploration activity has taken place on the ground during FY2012.

Permits

Prospecting Licence	Botswana Project Area	Size (km²)	Magnum Interest	Status
352/2008	Central CBM Project	694	100%	Current
353/2008	Central CBM Project	511	100%	Current
644/2009	Northern CBM Project	479	100%	Renewal Pending
645/2009	Northern CBM Project	653	100%	Renewal Pending

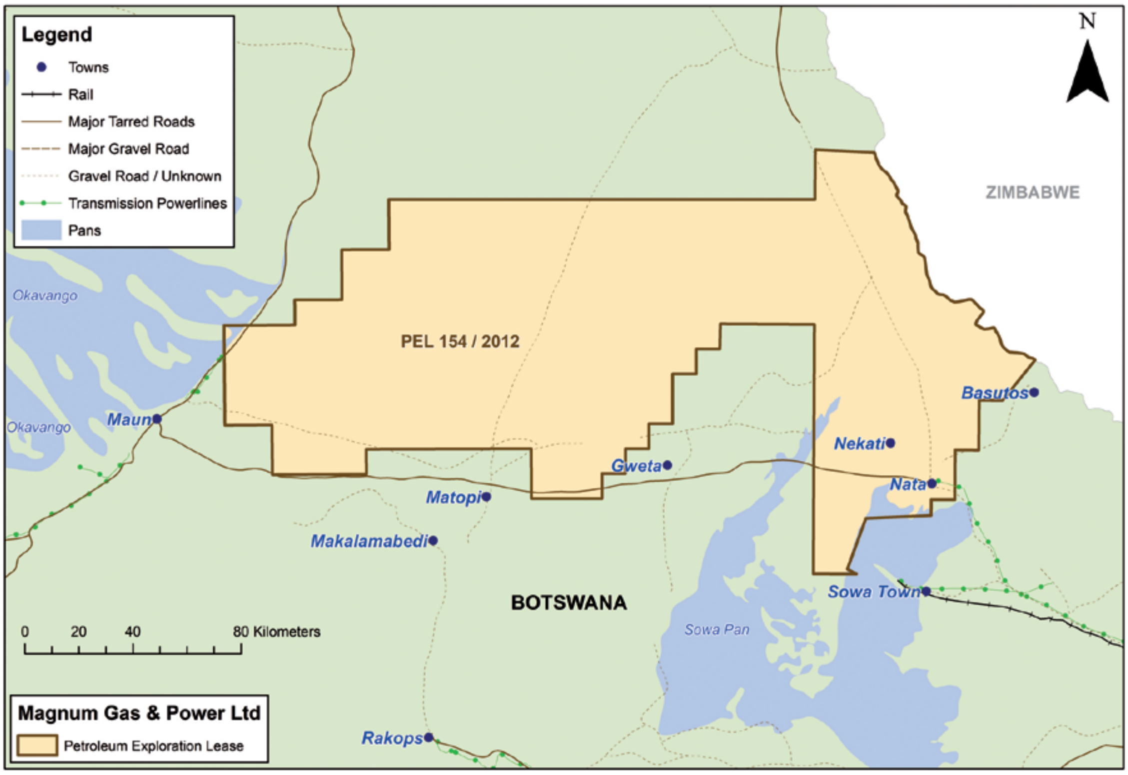
Petroleum Projects

Overview

In October 2012 Magnum's wholly owned Botswana subsidiary Baobab Resources (Pty) Ltd was awarded Petroleum Exploration Licence ("PEL") No. 154/2012 by the Department of Geological Surveys in the Republic of Botswana.

Baobab Resources (Pty) Ltd forms part of the recently acquired Energy Botswana Limited group and the PEL is an exploration licence granting the right to explore for Natural Gas/Petroleum under the Petroleum (Exploration and Production) Act of Botswana, Chapter 67:01.

The PEL 154/2012 covers approximately 23,700 km^2 and is located in the Ngamiland and Central districts of Botswana. The PEL is valid for a period of four (4) years commencing from 1st October 2012.



Exploration

The PEL was awarded in October 2012 and so no exploration activities took place during FY2012.

Permits

Petroleum Exploration Licence	Botswana Project Area	Size (km^2)	Magnum Interest	Status
154/2012	Northern PEL Project	23,700	100%	Current

NEW SOUTH WALES

Overview

NSW is currently producing just 6% of its gas needs from Coal Seam Gas ("CSG") compared to Queensland where CSG comprises about 90% of its gas production. According to an ACIL Tasmin report, 'Economic Significance of Coal Seam Methane in New South Wales", gas prices could double by 2014 without the development of a significant local gas supply.

In September, the NSW Government released the Strategic Land Use Policy which appears to provide a clear path forward for the CSG industry after an 18 month stay on CSG licences and renewals. Soon after this policy was implemented, offers of renewal were made for 22 licences across the state, including Magnum's PEL 444. Magnum is confident that it will be able to recommence its CSG activities in NSW.

CBM Projects

The Southern Sydney Basin in New South Wales is of Permo-Triassic age. The Late Permian coal measure sequence, the Illawarra Coal Measures, contains the primary coals in the basin.

Coal is the primary resource produced from the basin, for export and power generation.

Most of the coal mining has been carried out in the youngest seam, the Bulli seam, with lesser activities in the underlying Balgownie, Wongawilli and Tongarra seams. As the sequence dips to the north, the deeper seams successively rise to mineable depth in the southern part of the Southern Coalfields.

It has been estimated that the Sydney Basin contains some 26.5 Tcf of Methane (Brown et all, 1996) with potentially recoverable gas estimated at 5,300 PJ. The Southern Sydney Basin in which Magnum's interests are located is considered to be more prospective for coal bed methane than the Northern Sydney Basin.

Farm-In to Apex Energy NL

In August 2010 Magnum (formerly Ormil Energy Ltd) and its subsidiaries completed a Farm-In and Purchase agreement with Apex Energy NL ("Apex"). As a result of this farm in, Magnum subsidiary Sydney Basin CBM Pty Ltd acquired a 20% interest in the Apex permits, PEL 442, 444 and 454 (and other gas collection rights held by Apex).

The Farm-In agreement provides a mechanism for Magnum to earn another 30% of the Apex permits.

Joint Venture

A Joint Venture ("JV") with Apex was entered into, whereby Ormil Operations Pty Ltd (a subsidiary of Magnum) is the operator of the JV. The purpose of the JV being to acquire, explore, appraise and develop petroleum deposits in the Joint Venture area.

Exploration

In June 2011 the NSW Department of Resources and Energy granted approval to drill a Coal Seam Gas (CSG) well in the Burragorang region south west of Sydney in PEL 454.

During the first half of 2012 the Company drilled, tested and completed exploration well Apex Burragorang DDH1. The Wongawilli and the Bulli coal seams were found to have 3.8 and 2.1 meters of net coal respectively. Analysis of drill stem tests indicated fair to good permeability in these seams. The seams were pressure depleted indicating good communication along the seams with existing coal mines in the area, however the carbon dioxide content of the gas was greater than expected. Further exploration is necessary in this block to further define the potential resource.

There was virtually no Coal Seam Gas activity in NSW during 2012 as the Government undertook an extensive public consultation process which has led to a series of regulations which were announced in September. The regulations include a Strategic Land Use Policy, an Aquifer Interference Policy, a Code of Practice and new well integrity standards. These new regulations give the industry a clear and positive way forward. Magnum believes these new regulations provide a framework for CSG exploration to recommence in a timely and sensible manner.

In the Illawarra, soon after the policies were announced PEL 444 was renewed. Magnum is still waiting for the renewal of PEL 442. The joint venture continues to work with various government departments to obtain the necessary approvals to drill.

Drill rig on site of DDH1 Burragorang - February 2012

Permits

Petroleum Exploration Licence	NSW Project Area	Size (km^2)	Apex Interest	Magnum Interest	Status
442	Illawarra	32	80%	20%	Renewal Pending
444	Illawarra	511	80%	20%	Current
454	Burragorang	168	56%	14%	Current

Reserves and Resources

The Company has previously had independent reports completed by industry experts, including MHA Petroleum Consultants Inc and Robsearch Search Australia Pty Ltd, and while these have been previously announced to the market, a summary of the resource is provided below.

Summary of Reserves and Resources – Gross Estimates (by MHA Petroleum Consultants, Inc.)

Area	Reserve Category	Estimated Gas in Place (Bcf)	Estimated Recoverable (Pj)
Illawarra	Probable (2P)	123.8	58.0
Illawarra	Possible (3P)	330.1	151.8
TOTAL	**2P+3P**	**453.9**	**209.8**
Illawara	Contingent Resources	890.8	494.5
Burragorang	Contingent Resources	1,638.8	865.4
TOTAL	**Contingent Resources**	**2,529.6**	**1,359.9**

This statement outlines the main Corporate Governance practices that were in place throughout the financial year, unless otherwise stated.

ROLE OF THE BOARD OF DIRECTORS (THE "BOARD")

The Directors' are responsible for the direction and supervision of the Company's business and for its overall corporate governance. This includes ensuring that internal controls and reporting procedures are adequate and effective. The Directors' recognise the need to maintain the highest standards of behaviour, ethics and accountability. During the year responsibility for the management of the day-to-day operations and administration is delegated to the Managing Director and responsibility for corporate actions is delegated to the Managing Director and Company Secretary.

The primary functions of the Board include:

- Formulating and approving objectives, strategies and long-term plans for the Company's continued development and operation;
- Monitoring the implementation of these objectives, strategies and long-term plans to ensure the Company, to the best of its ability, delivers shareholder value;
- Approval of capital expenditure;
- Monitoring the Company's overall performance and financial results, including adopting annual budgets and approving the Company's financial statements;
- The management of the treasury function of the Company and approving capital management decisions;
- Ensuring that adequate systems of internal control exist and are appropriately monitored for compliance;
- Selecting and reviewing the performance of the Managing Director;
- Ensuring significant business risks are identified and appropriately managed;
- Ensuring that the Company meets the statutory, regulatory and reporting requirements of the ASX and requirements under the Corporations Act; and
- Reporting to shareholders on performance.

During the year there were a number of changes to the Board of the Company. The Board currently consists of the Non-Executive Chairman, the Managing Director, one Executive Director and three Non-Executive Directors. The term of Directors' appointments is governed by the Company's Constitution. At least one third in number of the Directors, other than a Managing Director, must retire and seek re-election at each Annual General Meeting of the Company. In addition, all Directors appointed to the Board during the year must stand for election at the next Annual General Meeting of the Company.

From time to time, the Board may determine to establish specific purpose sub-committees to deal with specific issues. In this regard, the Board has established an Audit Committee, a Remuneration and Nomination Committee and a Safety and Environment Committee.

COMPOSITION OF THE BOARD

The Directors of the Company in office at the date of this statement and details of their skills and experience are detailed in the Directors' Report.

The composition of the Board is determined in accordance with the constitution.

The Board should comprise Directors with a broad range of expertise both nationally and internationally.

Subject to the requirements of the *Corporations Act 2001*, the Board does not subscribe to the principle of retirement age and there is no maximum period for service of a Director.

The membership of the Board, its activities and composition is subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the Board shall include quality of the individual, background of experience and achievement, compatibility with other Board members, credibility within the Company's scope of activities, intellectual ability to contribute to the Board duties and physical ability to undertake Board duties and responsibilities.

INDEPENDENT PROFESSIONAL ADVICE

Each Director has the right to seek independent professional advice in the furtherance of their duties as directors at the Company's expense. However, prior approval of the Chairman is required.

All Directors are able to access members of the management team at any time to request information on the activities of the Company.

AUDIT COMMITTEE

The Audit Committee consists of, Mr E Ellyard, Mr T Wheeler and Mr M Pitts. Audit Committee Meetings are held twice during the year in conjunction with Board's meetings to discuss the half and full year audit work and findings. The roles and responsibilities of the Audit Committee are to:

- Assess the appropriateness of accounting policies, practices and disclosures and whether the quality of financial reporting is adequate;
- Ensure that the appropriate accounting policies and procedures are implemented;
- Review the scope and results of external and compliance audits and the adequacy and quality of the audits;
- Maintain open lines of communication between the Board and external auditors;
- Review and report to the Board on proposed annual reports and financial statements, and the half-yearly financial reports;
- Assess the adequacy of the Company's internal controls and whether they are of a sufficiently high standard to provide timely and accurate information for the proper management of the business;
- Make informed decisions regarding compliance policies, practices and disclosures;
- Assist in monitoring and controlling the financial aspects of the Company's business risks; and
- Nominate the external auditors.

The audit committee has unrestricted access to management.

In accordance with ASX principles, the Managing Director and Chief Financial Officer have provided a statement that the integrity of the financial statements is founded on a sound system of risk management, internal compliance and control, and that this system is operating effectively and efficiently in all material aspects.

REMUNERATION AND NOMINATION COMMITTEE

The Remuneration and Nomination Committee comprises Mr E Ellyard, Mr T Fontaine and Mr T Wheeler. The responsibilities of this committee include:

- Advising the Board in relation to the terms and conditions of remuneration for Directors and the Managing Director;
- Reviewing the composition of the Board to ensure it comprises an appropriate mix of skills and experience and, if appropriate, proposing suitable nominees as Directors to the Board; and
- Advising the Board as to general employment policies.
- The Committee will assess the performance and recommend the remuneration of the Managing Director.

SAFETY AND ENVIRONMENT COMMITTEE

The Safety and Environment Committee comprises Mr T Fontaine, Mr T Wheeler and Mr R Wheeler. As the Company is not at present carrying out any field work this Committee, although appointed, has not met. In the event that the Company commences field work the Committee will ensure that the Company follows best practice in this important area.

INTERNAL CONTROL FRAMEWORK

The Board acknowledges that it is responsible for the overall internal control framework but recognises that no cost effective internal control system will preclude all errors and irregularities. The system is based upon appropriate procedures, policies and guidelines, having regard to the size of the Company and its activities.

CODE OF ETHICS

The Company recognises the need for every Director, officer, employee, agent, sub-contractor and consultant of the Company to observe the highest standards of behaviour and business ethics. All are expected to act in accordance with the law and with the highest standard of propriety.

DISCLOSURE OF INFORMATION

Continuous Disclosure to ASX

The continuous disclosure policy requires all executives and Directors to inform the Managing Director of any potentially material information as soon as practicable after they become aware of that information.

Information is material if it is likely that the information would influence investors who commonly acquire securities on ASX in deciding whether to buy, sell or hold the Company's securities.

The Managing Director is responsible for interpreting and monitoring the Company's disclosure policy and where necessary informing the Board. The Company Secretary is responsible for all communications with the ASX.

THE ROLE OF SHAREHOLDERS

The Board of Directors aims to ensure that the shareholders are informed of all major developments affecting the Company's state of affairs. Information is communicated to shareholders as follows:

The annual report is distributed to all shareholders (unless a shareholder has specifically requested not to receive the document). The Board ensures that the annual report includes relevant information about the operations of the consolidated entity during the year, changes in the state of affairs of the consolidated entity and details of future development, in addition to the other disclosures required by the *Corporations Act 2001*.

Half-year financial reports, prepared in accordance with the requirements of Accounting Standards and the *Corporations Act 2001*, are lodged with the Australian Securities and Investment Commission and the Australian Stock Exchange. The half-year financial reports are sent to any shareholder who requests them and quarterly reports are submitted to the Australian Stock Exchange under the requirements of the ASX relating to mining companies.

ROLE OF AUDITOR

The Corporations Act 2001 requires the auditor to attend the Annual General Meeting and to be available to answer shareholders questions about the conduct of the audit and the preparation and content of the auditor's report.

RISK MANAGEMENT

The Board is responsible for the oversight of the Group's risk management and control framework. Responsibility for control and risk management is delegated to the Managing Director who has ultimate responsibility to the Board for the risk management and control framework of the Group.

INTEGRITY OF FINANCIAL REPORTING

The Company's Managing Director and Company Secretary who is acting as Chief Financial Officer have reported in writing to the Board that:

- The consolidated financial statements of the Company and its entities for the half and full year present a true and fair view, in all material aspects, of the Company's financial condition and operational results and are in accordance with accounting standards;
- The above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- The Company's risk management and internal compliance and control framework is operating efficiently and effectively in all material respects.

REMUNERATION ARRANGEMENTS

The Board remuneration policy is to ensure that remuneration properly reflects the relevant person's duties and responsibilities. The Board believes that the best way to achieve this is to provide executives or consultants with a remuneration package consisting of fixed components and incentives that reflect the person's responsibilities, duties and personal performance.

The remuneration of Non-Executive Directors is determined by the Board as a whole having regard to the level of fees paid to Non-Executive Directors by other companies of similar size in the industry.

The amount payable to the Company's Non-Executive Directors must not exceed the maximum annual amount approved by the Company's shareholders.

Information on the Remuneration & Nomination committee is contained in a separate heading within this Corporate Governance Statement.

INTERESTS OF OTHER STAKEHOLDERS

The Company's operations are subject to various environmental laws and regulations under the relevant government's legislation. Full compliance with these laws and regulations is regarded as a minimum standard for the Company to achieve.

ADOPTION OF ASX COPORATE GOVERNANCE RECOMMENDATIONS

The Company has adopted the ASX Corporate Governance Recommendations for all or part of the year, as outlined in the Corporate Governance Statement, with the following exceptions:

Ethical and Responsible Decision Making

Council Principle 3: Promote ethical and responsible decision-making

Council Recommendation 3.1: Establish a code of conduct to guide the Directors, the Chief Executive Officer (or equivalent), the Chief Financial Officer (or equivalent) and any other key executives as to:

3.1.1 The practices necessary to maintain confidence in the Company's integrity, and
3.1.2 The responsibility and accountability of individuals for reporting and investigating reports of unethical practice.

A code has not been developed at this time as it has not been deemed necessary given the size of the Company and the close manner in which the Board operates on all material decisions and the Managing Director's constant liaison with all major stakeholders. A code of conduct will be considered when the extent of the activities of the Company warrants such consideration.

Council Recommendation 3.2: Establish a Diversity Policy

Whilst the Board has not implemented a formal Diversity Policy due to the size of the Company it believes that promotion of diversity in senior management and within the Company is generally good practice.

The Board has not set measurable objectives for achieving gender diversity at this time. The Company has no employees and no women members of the Board. As the Company increases in size the Board will review its practices and implement formal diversity policies as appropriate to its activities.

Integrity of Financial Reporting

Council Principle 4: Safeguard integrity in financial reporting

Council Recommendation 4.3: Structure the audit committee so that it consists of:

- Only Non-Executive Directors;
- A majority of Independent Directors;
- An Independent Chairperson, who is not Chairperson of the Board;
- At least three members.

During the year the composition of the Audit Committee changed as changes were made to the Board as a whole. At the conclusion of the year the committee was chaired by the Non-Executive Chairman and comprised one of the Non-Executive Directors and the Company Secretary, a total of three. The Board considers that given the number and make-up of the Board itself during the financial year that an Audit Committee of such a composition is appropriate.

Council Recommendation 4.4: The audit committee should have a formal charter.

The audit committee does not have a formal charter however its roles and responsibilities are outlined above, along with its composition, and structure. Minutes of meetings are kept within the Board's minutes. There is also no formal reporting mechanism between the Audit Committee and Board due to the duplication of membership and the detailed report tabled by the auditor who attends the Board meeting by invitation.

Risk Management

Council Principle 7: Recognise and Manage Risk

Council Recommendation 7.1: The Board or appropriate Board Committee should establish policies on risk oversight and management.

Policies on risk oversight and management have not been implemented. The Board is of the view that the financial and operational risks arising out of the Company's operations will be readdressed once new operations are commenced and in the meantime are appropriately reviewed by the full Board.

Remuneration

Council Principle 8: Remunerate fairly and responsibly

Council Recommendation 8.1: Provide disclosure in relation to the Company's remuneration policies to enable investors to understand (i) the costs and benefits of those policies and (ii) the link between remuneration paid to directors and key executives and corporate performance.

Please refer to the content on the Remuneration Arrangements section disclosed above.

Council Recommendation 8.3: Clearly distinguish the structure of Non-Executive Directors' remuneration from that of the executives.

The Board is of the view that all Directors have the potential to influence strategic direction and achievements of the Company for the benefit of shareholders and believe that the granting of options to non-executives is an appropriate method to supplement Non-Executive Directors' cash remuneration, which is relatively low.

The directors of Ormil Energy Limited submit herewith the annual financial report of the Company for the financial year ended 30 June 2012. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

INFORMATION ABOUT THE DIRECTORS AND SENIOR MANAGEMENT

The names and particulars of the directors of the company during or since the end of the financial year are:

Edward (Ted) Ellyard – Chairman (appointed 22 November 2011)

Ted Ellyard is a geologist with over 35 years' experience in mineral and petroleum exploration, development and production. Mr Ellyard graduated from Curtin University, Perth in 1974 and has worked for several major Australian and international resource companies. Mr Ellyard was Managing Director and CEO of Hardman Resources Ltd from 1996 to late 2004. In that role he oversaw the international expansion of Hardman into the Mauritanian and Uganda oil/gas discoveries and its dramatic market capitalisation growth from less than $5 million to over $1.5 billion.

Mr Ellyard has been involved at board level in the management of listed Australian resource companies for the past 24 years and has been a founding director of several companies. Mr Ellyard is also a non-executive Director of Minemakers Limited.

Thomas Fontaine – Managing Director

Tom Fontaine is a professional engineer who has considerable experience in the Oil and Gas Industry including Coal Seam Methane. He was one of the original founders of Pure Energy Resources Limited which was a Coal Seam Methane focussed company which listed on the ASX and was subsequently bought by British Gas.

Peter Anthony Curry B.Com, LL.B, ACA FICD – Non-Executive Director – resigned 27 September 2012

Peter Curry has over 35 years' business and professional experience. He was formerly a partner with a major accounting firm before leaving that firm in 1984 to set up a corporate tax and financial advisory practice. Since that time Mr Curry has been involved in providing a wide variety of investment banking services, including initial public offerings and other capital raisings and corporate advisory assignments. He also has experience as a public company director.

Mr Curry is a director of APAC Resources Limited and Sun Hung Kai & Co Limited.

Brett Montgomery – Non-Executive Director

Brett Montgomery has over 27 years' experience in the gold mining industry and management of public companies.

Mr Montgomery is a director of Eurogold Limited.

Raalin Wheeler – Non-Executive Director (appointed 6 August 2012)

A Fellow of the Australian Institute of Company Directors, Raalin is a professional Director, with over 30 years of private and public company experiences. He has a broad range of experience in engineering and manufacturing for the resource industry, including oil and gas directional drilling technology, downstream process plants, remote area greenfields project establishment and services.

He has held senior executive management positions including Chairman, Vice-President (USA NASDAQ listed company), Managing Director, Project Manager and Business Development Manager.

Trent Wheeler – Executive Director (appointed 6 August 2012)

Trent is professional engineer (Mechanical (Honours) and Oil & Gas), manager and director with over fifteen years' experience in the energy and resources sector. He has been involved with or responsible for the successful initiation, definition, development, operation and expansion of significant upstream and downstream oil, gas, mineral, metal, chemical and power projects throughout Australia, Canada, America, South East Asia and Botswana.

Trent has been instrumental in co-founding and funding private and public companies, developing and executing business strategy, capital raising, corporate and commercial roles.

Alan Andrew Davis – Chairman (resigned 22 November 2011)

Aged 70, Mr Davis originally qualified as a lawyer and has extensive business experience in mineral exploration, oil and gas exploration in Australia and the United States, quarrying, the media industry, the motor vehicle industry and property development.

Mr Davis is Executive Chairman of Niuminco Group Limited.

Ian Rutherford Plimer – Non-Executive Director (resigned 22 November 2011)

Professor Ian Plimer is a geologist who holds a Bachelor of Science with Honours degree from the University of New South Wales and a Doctor of Philosophy from Macquarie University. He has consulted widely to mining companies and governments in many parts of the world and was Professor of Geology at the School of Earth Sciences at the University of Melbourne from 1991 to 2005. He is currently Professor of Mining Geology at the University of Adelaide. He is an Honorary Fellow of the Geological Society of London, and fellow of the Academy of Technological Sciences and Engineering and the Australian Institute of Geoscientists.

Professor Plimer is a director of Ivanhoe Australia Limited, Silver City Minerals Ltd, TNT Mines Limited and Niuminco Group Limited.

Company Secretary

Mark Pitts was appointed Company Secretary on 4 September 2012.

Mr Pitts is a Chartered Accountant with over twenty five years' experience in statutory reporting and business administration.. He has been directly involved with, and consulted to a number of public companies holding senior financial management positions. Mr Pitts is a Partner in the advisory firm Endeavour Corporate.

Mark Ohlsson performed the role of Company Secretary during the financial year and up to his resignation on 4 September 2012.

Directorships of other listed companies in last 3 years

Name	Company	Period of directorship
Mr P.A. Curry	East West Resources Plc	Appointed 18 July 2012
	APAC Resources Limited	Since 2010
	Sun Hung Kai & Co Limited	Appointed January 2011
	Mount Gibson Iron Limited (alternate)	Resigned September 2012
	Forest Enterprises Australia (alternate)	Resigned December 2010
Mr A.A. Davis	Niuminco Group Limited	Appointed 9 May 2011
Mr B. Montgomery	Eurogold Limited	Since 1989
Prof. I.R. Plimer	Silver City Minerals Ltd	
	Ivanhoe Australia Limited	Since 2007
	TNT Mines Limited	
	Niuminco Group Limited	Appointed 9 May 2011

DIRECTORS' SHAREHOLDINGS

The following table sets out each director's relevant interest in shares and options in shares of the Company as at the date of this report:

Name		Number of shares	Number of options
Mr T. Fontaine	– indirect	56,123,069	600,000
Mr E. Ellyard	– indirect	4,000,000	-
Mr R. Wheeler	– direct	60,300,001	6,290,323
Mr T. Wheeler	– direct	60,300,001	6,290,323
Mr P.A. Curry	– direct	10,000	2,500,000
Mr B. Montgomery	– direct	-	2,500,000
Prof. I.R. Plimer ^	– direct	-	2,500,000
	– indirect	2,000,000	-
Mr A.A. Davis ^	– direct	-	4,000,000
	– indirect	16,376,500	-

^ Resigned 22 November 2011

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Information about the remuneration of directors and senior management is set out below in the remuneration report which forms part of the Directors' Report.

SHARE OPTIONS GRANTED TO DIRECTORS AND SENIOR MANAGEMENT

No options were granted to Directors or Senior Management during the financial year.

PRINCIPAL ACTIVITIES, REVIEW OF OPERATIONS AND CHANGES IN STATE OF AFFAIRS

The principal activities of the consolidated entity during the financial year were;

New South Wales CSG Project

In June 2011 the NSW Department of Resources and Energy granted approval to drill a Coal Seam Gas (CSG) well in the Burragorang region south west of Sydney in PEL 454.During the March 2012 quarter the Company drilled, tested and completed exploration well Apex Burragorang DDH1. The Wongawilli and the Bulli coal seams were found to have 3.8 and 2.1 meters of net coal respectively. Analysis of drill stem tests indicated fair to good permeability in these seams. The seams were pressure depleted indicating good communication along the seams with existing coal mines in the area however the carbon dioxide content of the gas was greater than expected. Further exploration is necessary in this block to further define the potential resource. In the Illawarra exploration blocks, PEL 444 and 442, the joint venture continues to work with various government departments to obtain the necessary approvals to drill. The NSW government recently announced a series of new regulations for the coal seam gas industry, including the Strategic Regional Land Use Policy, the Aquifer Interference Policy, a Code of Practice and new well integrity standards. Ormil believes these new regulations provide a framework for CSG exploration to recommence in a timely and sensible manner.

Energy Botswana Limited

On 19 June 2012, Ormil Energy Limited ("Ormil") announced its intention to make a takeover offer for all of the shares and options in the public unlisted company Energy Botswana Limited ("EBL"). EBL has a strong portfolio of coal seam gas ("CSG") assets in Botswana that Ormil believes will complement its CSG portfolio in NSW.

The takeover was successfully completed in August 2012.

SUBSEQUENT EVENTS

In August the Group completed the takeover of Energy Botswana Limited ("EBL").

EBL is an Australian public unlisted energy company with a portfolio of highly prospective Coal Seam Gas ("CSG") licenses in Botswana, Africa.

EBL has an experienced management team with strong local relationships and partners in Botswana, a politically stable and flourishing country.

The EBL CBM exploration portfolio consists of multiple CBM prospecting licences, focused on two separate project areas, within the overall central Kalahari Karoo basin. The "Central CBM Project" consists of 1,205 km^2 of prospecting licences over prospective CBM acreage in the Mmashoro Region. The "Northern CBM Project" consists of 1,132 km^2 of prospecting licences over prospective CBM acreage in the Nata Region. The Botswana Department of Geological Survey reports that 196 Tcf of "gas in place" is estimated to be present in the coal and carbonaceous shale sequences in the central Kalahari Karoo Basin in Botswana.

The exploration opportunity is reinforced by neighbouring peers that are significant multinationals such as Exxaro Resources Ltd and Origin Energy Ltd.

EBL also has a petroleum exploration licence application in the Nata Region currently pending with the Botswana Government.

Prospecting Licences

Prospecting Licence	Botswana Project Area	Size (km^2)	Status
352/2008	Central CBM Project	694	Current
353/2008	Central CBM Project	511	Current
644/2009	Northern CBM Project	479	Renewal Pending
645/2009	Northern CBM Project	653	Renewal Pending

On 27 September 2012 the Company held a General Meeting of Shareholders. All resolutions put to the meeting were passed. These included a change of name of the Company to Magnum Gas & Power Limited and the issue of options and a number of resolutions relating to the Company's rights issue.

On 27 September 2012 the Company announced a non-renounceable rights issue of one new share for every three shares currently held at a price of 2.2 cents per share. The issue is partially underwritten.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

FUTURE DEVELOPMENTS

Upon the completion of the rights issue the Company intends to progress its exploration activities in Botswana and continue to work with the various government departments in New South Wales in order to obtain the necessary approvals to drill there.

DIVIDENDS

No dividend has been declared for the year, and the directors do not recommend the payment of a dividend in respect of the financial year (2011: $nil).

ENVIRONMENTAL REGULATIONS

The operation of the consolidated entity is solely within Australia and due to its current operations is not subject to any specific environmental laws. The Company is not aware of any breach of any environmental regulations during or since the end of the financial year from its activities.

SHARES UNDER OPTION OR ISSUED ON EXERCISE OF OPTIONS

Details of unissued shares or interests under option by Ormil Energy Limited as at the date of this report are:

Expiry date of option	Number of shares under option	Class of shares	Exercise price of option
30 June 2013	15,500,000	Ordinary	$0.06
30 June 2013	2,000,000	Ordinary	$0.06
30 June 2013	27,233,405	Ordinary	$0.06

INDEMNIFICATION OF OFFICERS AND AUDITORS

During or since the financial year the company has not indemnified or made a relevant agreement to indemnify an officer or auditor of the company or of any related body corporate, except to the extent permitted by law, against a liability incurred as such an officer or auditor. In addition, the Company has not paid, or agreed to pay, a premium in respect of a contract insuring against a liability incurred by an officer or auditor.

DIRECTORS' MEETINGS

The following table sets out the number of Directors' meetings (including meetings of committees of Directors) held during the financial year and the number of meetings attended by each Director (while they were a director or committee member). During the financial year, 12 Board meetings and 1 Audit Committee meeting were held:

	Directors' Meetings		Audit Committee Meetings		Remuneration Committee	
	Attended	Held	Attended	Held	Attended	Held
Mr A.A. Davis	4	4	1	1	-	-
Mr T. Fontaine	11	12	-	-	-	-
Mr P.A. Curry	8	12	1	1	-	-
Mr B. Montgomery	9	12	-	-	-	-
Prof. I.R. Plimer	2	4	-	-	-	-
Mr E Ellyard	8	8	-	-	-	-

REMUNERATION REPORT

The following persons acted as directors of the Company during or since the end of the financial year:

Mr E. Ellyard (Non-Executive Chairman) – appointed 22 November 2011
Mr T. Fontaine (Managing Director)
Mr P.A. Curry (Non-Executive Director) – resigned 27 September 2012
Mr B. Montgomery (Non-Executive Director)
Mr R. Wheeler (Non-Executive Director) – appointed 6 August 2012
Mr T. Wheeler (Executive Director) – appointed 6 August 2012
Mr A.A. Davis (Non-Executive Chairman) – resigned 22 November 2011
Prof. I. R. Plimer (Non-Executive Director) – resigned 22 November 2011

There were no senior executives of the Company or the group during or since the end of the financial year that did not hold a position as a Director of the Company.

The Company's policy for determining the remuneration of Board members and senior executives of the Company is based on a number of factors including length of service, the particular experience of the individual concerned and the overall performance of the Company.

The remuneration policy has been framed with particular regard to the early stage of the Company's operations. At this stage it is not considered appropriate for base remuneration to be dependent upon an individual's performance rated against key performance indicators or the Company's performance as measured by earnings or the Company's share price. Rather, this is indirectly remunerated through the increase in value of the granted share options.

Certain Directors and consultants to the Company have been granted options over unissued ordinary shares in the Company. The details of these options are set out below and also in the Notes to the Financial Statements.

The value of these options is anticipated to increase in accordance with the increase in the price at which the Company's shares are traded and in accordance with an increase in shareholder wealth.

Hedging positions over shares and options over shares or the loaning of shares and options over shares held by Directors or senior management in the Company are not permitted.

As at balance date no service agreements were in place for the directors of the Company other than for the Managing Director Mr Fontaine.

Mr T. Fontaine On 23rd August 2010 Mr Fontaine was appointed Managing Director. The Company has entered into an Employment Deed with Mr Fontaine who is paid a salary of $40,000 per annum (plus superannuation). The Deed is ongoing with either party having the right to give 6 month's notice of termination. Earlier termination by the Company requires the payment of remuneration in lieu. The Company has also entered into a Deed with Mr Fontaine and his company to provide services. Payment under the Deed is $16,667 per month.

The following service agreement was in place for Mr Davis until his resignation on 22 November 2011:

Mr A.A. Davis On 23rd August 2010 Mr Davis retired as Managing Director and was appointed Chairman of the Company. From that time until his resignation the Company remunerated Mr Davis $7,000 per month as Chairman.

Non-executive directors receive remuneration as set out below.

Mr E. Ellyard The Company remunerates Mr Ellyard $5,000 per month as Non-Executive Chairman.

Mr P.A. Curry The Company remunerated Mr Curry $2,000 per month as a Non-Executive Director until 1 January 2012 when this amount rose to $2,500, per month.

Mr B. Montgomery The Company remunerated Mr Montgomery $2,000 per month as a Non-Executive Director until 1 January 2012 when this amount rose to $2,500, per month.

Prof. I.R. Plimer The Company remunerated Professor Plimer $2,000 per month as a Non-Executive Director until his resignation on 22 November 2011.

REMUNERATION REPORT (CONTINUED)

Company secretary receives remuneration as set out below.

Mr M.T. Ohlsson The Company remunerates Mr Ohlsson $1,666 per month as Company Secretary plus other consulting fees as required for services rendered.

There were no ordinary shares in the Company provided as a result of the exercise of remuneration options to any Director during the year.

Details of remuneration

Details of the remuneration of each Director of the Company including their personally related entities are set out in the following table.

2012	Short-term employee benefits		Post-employment		Share-Based payment		
Name	**Cash salary and fees**	**Bonus**	**Super-annuation**	**Other Retire-ment benefits**	**Options**	**% of Remun-eration**	**Total**
	$	$	$	$	$	%	$
Directors							
Mr A.A. Davis ^	35,000	-	-	-	-	-	35,000
Mr T. Fontaine	245,900	-	4,500	-	-	-	250,400
Mr P. Curry <	27,000	-	-	-	-	-	27,000
Mr B. Montgomery	27,000	-	-	-	-	-	27,000
Mr E. Ellyard	36,500	-	-	-	-	-	36,500
Prof. I. Plimer ^	10,000	-	-	-	-	-	10,000
Secretary							
Mr M. Ohlsson +	20,914	-	-	-	-	-	20,914
TOTAL	**402,314**	**-**	**4,500**	**-**	**-**	**-**	**406,814**

^ Mr Davis and Professor Plimer resigned on 22 November 2011.
< Mr Curry resigned on 27 September 2012.
\+ Mr Ohlsson resigned on 4 September 2012.

2011	Short-term employee benefits		Post-employment		Share-Based payment		
Name	**Cash salary and fees**	**Bonus**	**Super-annuation**	**Other Retire-ment benefits**	**Options**	**% of Remun-eration**	**Total**
	$	$	$	$	$	%	$
Directors							
Mr A.A. Davis *	100,000	-	-	90,000	-	-	190,000
Mr T. Fontaine +	195,458	-	2,100	-	3,107	1.5	200,665
Mr P.A. Curry >	24,000	30,000	-	-	-	-	54,000
Mr B. Montgomery	24,000	-	-	-	-	-	24,000
Prof. I.R. Plimer	24,000	-	-	-	-	-	24,000
Mr G P. Hurst ^	2,000	-	-	120,000	-	-	122,000
Secretary							
Mr M. Ohlsson	49,768	-	-	-	2,000	3.9	51,768
TOTAL	**419,226**	**30,000**	**2,100**	**210,000**	**5,107**	**0.8**	**666,433**

* Resigned as Managing Director on 23 August 2010 and received a 6 month payout.
\+ Appointed Managing Director on 23 August 2010.

REMUNERATION REPORT (CONTINUED)

^ Resigned on 23 August 2010. The retirement benefit was paid by the issue of 3,000,000 shares in recognition of the services of Mr Hurst in relation to the various transactions with Apex Energy N.L. over the last several months. He was largely instrumental in the original introduction of the Apex Energy N.L. project to the Company and without his efforts the Company would not have acquired its interests in Coal Seam Gas and Coal Mine Methane in the Southern Coal Fields of New South Wales.

> Bonus was paid to Mr Curry for his efforts in finalising the Chinese interests of the Company.

The table below sets out summary information about the consolidated entity's earnings and movements in shareholder wealth for the five years to 30 June 2012:

	30 June 2012	30 June 2011	30 June 2010	30 June 2009	30 June 2008
Revenue	87,150	98,327	53,547	95,650	136,919
Loss attributable to equity holders	(718,522)	(534,932)	(2,735,355)	(3,479,956)	(906,357)
Share price at start of year	$0.02	$0.04	$0.01	$0.08	$0.12
Share price at end of year	$0.02	$0.02	$0.04	$0.01	$0.08
Loss per share (cents)	(0.24)	(0.18)	(2.22)	(3.62)	(1.15)

There have been no dividends paid during the period of analysis.

Options granted to Directors and Executives vested immediately and are exercisable at various dates as set out in detail in the notes to the financial statements. No options have been exercised in the current financial year. The following table sets out the options that were granted and those that have vested and are exercisable at balance date:

Name	No. of options granted	Grant date	Expiry date	Grant date fair value $	Amount vested & exercisable at 30/06/2012
Mr A.A. Davis ^	4,000,000	30/06/2010	30/06/2013	14,740	4,000,000
Mr P.A. Curry +	2,500,000	30/06/2010	30/06/2013	9,212	2,500,000
Mr B. Montgomery	2,500,000	30/06/2010	30/06/2013	9,212	2,500,000
Prof. I.R. Plimer #	2,500,000	30/06/2010	30/06/2013	9,212	2,500,000
Mr M. Ohlsson *	2,000,000	19/08/2010	30/06/2013	2,000	2,000,000
	13,500,000			44,376	13,500,000

^ Mr Davis resigned on 22 November 2011.
+ Mr Curry resigned on 27 September 2012.
# Professor Plimer resigned on 22 November 2011.
* Mr Ohlsson resigned on 4 September 2012.

LOANS TO DIRECTORS AND EXECUTIVES

No loans have been made to Directors or Senior Executives of Ormil Energy Limited, including their personally related entities.

SHARE OPTIONS ISSUED

Options to purchase shares have been issued to Directors, and to key consultants of the Company as approved by the Board of Directors and an Extraordinary General Meeting of Shareholders. Each share option converts into one ordinary share of Ormil Energy Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights.

On 20 August 2010 the Company issued 2,000,000 unlisted options to Mr M. Ohlsson at an exercise price of 6 cents per share which expire 30 June 2013 and on 15 November 2010 issued 10,000,000 unlisted options issued to Mr T. Fontaine at an exercise price of 6 cents which expired 30 June 2012.

REMUNERATION REPORT (CONTINUED)

The following share-based payment arrangements were in existence during the current and comparative reporting periods. All options have vested as at balance date.

Options series	Number	Grant date	Expiry date	Exercise price ($)	Fair value at grant ($)	Days prior to expiry
Issued 31 July 2007 Mr D. Price ^	250,000	31/07/07	31/07/12	0.17	0.037	31
Issued 31 July 2007 Mr D. Price	250,000	31/07/07	31/07/12	0.25	0.020	31
Issued 31 July 2007 Mr D. Price	250,000	31/07/07	31/07/12	0.30	0.014	31
Issued 31 July 2007 Mr D. Price	250,000	31/07/07	31/07/12	0.35	0.010	31
Issued 31 July 2007 Mr D. Price	250,000	31/07/07	31/07/12	0.45	0.005	31
Issued 31 July 2007 Mr D. Price	250,000	31/07/07	31/07/12	0.50	0.004	31
Issued 30 June 2010 Mr G. Hurst ^^	4,000,000	30/06/10	30/06/13	0.06	0.004	365
Issued 30 June 2010 Mr A.A. Davis ^^^	4,000,000	30/06/10	30/06/13	0.06	0.004	365
Issued 30 June 2010 Mr P. Curry ^^^^	2,500,000	30/06/10	30/06/13	0.06	0.004	365
Issued 30 June 2010 Mr B. Montgomery	2,500,000	30/06/10	30/06/13	0.06	0.004	365
Issued 30 June 2010 Prof. I. Plimer ^^^^^	2,500,000	30/06/10	30/06/13	0.06	0.004	365
Issued 20 Aug 2010 Mr M. Ohlsson*	2,000,000	20/08/10	30/06/13	0.06	0.0011	365
Issued 15 Nov 2010 Mr T. Fontaine	10,000,000	15/11/10	30/06/12	0.06	0.0004	-

^ Mr Price resigned on 30 June 2009.
^^ Mr Hurst resigned on 23 August 2010.
^^^ Mr Davis resigned on 22 November 2011.
^^^^ Mr Curry resigned on 27 September 2012.
^^^^^ Professor Plimer resigned on 22 November 2011.
*Mr Ohlsson resigned on 4 September 2012.

No options were issued to Directors during the financial year.

REMUNERATION REPORT (CONTINUED)

Option holdings

The number of options over ordinary shares in the Company held during the financial year by each key management personnel of Ormil Energy Limited, including their personally-related entities, are set out below.

Name	Balance at the start of the year	Granted during the year as remuner-ation	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Mr A.A. Davis ^	4,000,000	-	-	-	4,000,000	4,000,000
Mr P.A. Curry	2,500,000	-	-	-	2,500,000	2,500,000
Mr B. Montgomery	2,500,000	-	-	-	2,500,000	2,500,000
Prof. I.R. Plimer ^	2,500,000	-	-	-	2,500,000	2,500,000
Mr T. Fontaine	10,000,000	-	-	(10,000,000)	-	-

^ Resigned 22 November 2011.

SHARES ISSUED ON THE EXERCISE OF OPTIONS

No ordinary shares of Ormil Energy Limited were issued during the year ended 30 June 2012 on the exercise of options.

NON-AUDIT SERVICES

No non-audit services were provided during the year by the auditor.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 24 of the annual report.

This report is made in accordance with a resolution of the Directors made pursuant to s.298(2) of the *Corporations Act 2001*.

On behalf of the Directors

Mr E. Ellyard
Chairman

Perth, 28 September 2012

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1220 Australia

DX: 10307SSE
Tel: +61 (0) 2 9322 7000
Fax: +61 (0) 2 9322 7001
www.deloitte.com.au

The Board of Directors
Ormil Energy Limited
Suite 8, 7 The Esplanade
Mt Pleasant WA 6153

28 September 2012

Dear Board Members,

Ormil Energy Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Ormil Energy Limited.

As lead audit partner for the audit of the financial statements of Ormil Energy Limited for the year ended 30 June 2012, I declare that to the best of my knowledge and belief, the only contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit;

is set out below.

During the current financial year, Deloitte's quality control system identified that due to the auditor rotation requirements of the Act, the review auditor in relation to Ormil Energy Limited for the half year ended 31 December 2011 was not eligible to undertake that role.

All reasonable steps have now been undertaken to ensure compliance with the auditor rotation requirements and the individual has played no further role in relation to the audit of Ormil Energy Limited.

Accordingly I consider that the independence of Deloitte in respect to the audit of the financial statements of Ormil Energy Limited for the year ended 30 June 2012 has not been impaired.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Jason Thorne
Partner
Chartered Accountants

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1220 Australia

DX: 10307SSE
Tel: +61 (0) 2 9322 7000
Fax: +61 (0) 2 9322 7001
www.deloitte.com.au

Independent Auditor's Report to the members of Ormil Energy Limited

Report on the Financial Report

We have audited the accompanying financial report of Ormil Energy Limited, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 28 to 54.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 3, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

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

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

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Ormil Energy Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Ormil Energy is in accordance with the *Corporations Act 2001*, including:

 (i) giving a true and fair view of consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

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

(b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 3.

Material Uncertainty Regarding Continuation as a Going Concern

Without modifying our opinion, we draw attention to Note 3 in the financial report which indicates that the company and the consolidated entity's ability to continue as going concerns is dependent upon their ability to secure an adequate level of financial support from shareholders through the non-renounceable rights issue for their activities.

These conditions along with the matters set forth in Note 3 indicate the existence of a material uncertainty which may cast doubt upon the company and the consolidated entity's ability to continue as going concerns and whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 19 to 23 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Ormil Energy Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Jason Thorne
Partner
Chartered Accountants
Sydney, 28 September 2012

DIRECTORS' DECLARATION

The Directors' declare that:

(a) In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

(b) In the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity;

(c) In the Directors' opinion, the Financial Statements and notes thereto are in accordance with International Financial Reporting Standards as stated in Note 3 to the financial statements; and

(d) The directors have been given the declarations required by s.295A of the Corporations Act 2001.

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

On behalf of the Directors

Mr E. Ellyard
Chairman

Perth, 28 September 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2012

	Note	Year ended 30/06/12 $	Year ended 30/06/11 $
Continuing operations			
Other income	5	87,150	98,237
Occupancy expenses		(22,581)	(21,947)
Administration expenses		(783,091)	(1,253,741)
Bad debts recovered		-	642,519
Loss before tax		(718,522)	(534,932)
Income tax expense	8	-	-
Loss from continuing operations	6	(718,522)	(534,932)
LOSS FOR THE YEAR		(718,522)	(534,932)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(718,522)	(534,932)
Loss attributable to:			
Owners of the Company		(718,522)	(534,932)
		(718,522)	(534,932)
Total comprehensive income attributable to:			
Owners of the Company		(718,522)	(534,932)
		(718,522)	(534,932)

Loss per share	Note	Year ended 30/06/12	Year ended 30/06/11
From continuing operations			
Basic (cents per share)	17	(0.24)	(0.18)
Diluted (cents per share)	17	(0.24)	(0.18)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2012

	Note	30/06/12 $	30/06/11 $
CURRENT ASSETS			
Cash and cash equivalents	28	556,579	2,663,156
Receivables	9	156,479	28,035
Other current assets	11	2,079	2,079
TOTAL CURRENT ASSETS		715,137	2,693,270
NON-CURRENT ASSETS			
Other financial assets	10	2,833,772	2,833,772
Property, plant and equipment	12	577	1,170
Exploration and evaluation assets	13	3,523,480	2,266,155
TOTAL NON-CURRENT ASSETS		6,357,829	5,101,097
TOTAL ASSETS		7,072,966	7,794,367
CURRENT LIABILITIES			
Payables	14	13,507	16,386
TOTAL CURRENT LIABILITIES		13,507	16,386
TOTAL LIABILITIES		13,507	16,386
NET ASSETS		7,059,459	7,777,981
EQUITY			
Issued capital	15	18,931,368	18,931,368
Accumulated losses	16	(11,871,909)	(11,153,387)
Equity attributable to equity holders of the parent		7,059,459	7,777,981
TOTAL EQUITY		7,059,459	7,777,981

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2012

	Share capital	Accumulated losses	Attributable to owners of the parent	Total
	$	$	$	$
Balance at 1 July 2010	**14,240,139**	**(10,618,455)**	**3,621,684**	**3,621,684**
Issue of ordinary shares	4,851,122	-	4,851,122	4,851,122
Share issue costs	(159,893)	-	(159,893)	(159,893)
Loss for the year	-	(534,932)	(534,932)	(534,932)
Total comprehensive loss for the year	**-**	**(534,932)**	**(534,932)**	**(534,932)**
Balance at 30 June 2011	**18,931,368**	**(11,153,387)**	**7,777,981**	**7,777,981**
Loss for the year	-	(718,522)	(718,522)	(718,522)
Total comprehensive loss for the year	**-**	**(718,522)**	**(718,522)**	**(718,522)**
Balance at 30 June 2012	**18,931,368**	**(11,871,909)**	**7,059,459**	**7,059,459**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2012

	Note	Year ended 30/06/12 $	Year ended 30/06/11 $
Cash flows from operating activities			
Interest received		87,150	98,237
Tax refund		-	1,212
Payments to suppliers & employees		(871,402)	(1,030,973)
Net cash used in operating activities	28	(784,252)	(931,524)
Cash flows from investing activities			
Purchase of property plant & equipment		-	(1,747)
Security deposit		(65,000)	-
Bad debts recovered		-	642,519
Purchase of interest in Apex Energy N.L.		-	(42,520)
Payments for exploration expenditure		(1,257,325)	(516,155)
Payments for business combination		-	(550,000)
Net cash used in investing activities		(1,322,325)	(467,903)
Cash flows from financing activities			
Proceeds from issue of shares		-	2,791,122
Share issue costs		-	(159,893)
Net cash provided by financing activities		-	2,631,229
Net (decrease)/increase in cash held		(2,106,577)	1,231,802
Cash at beginning of year		2,663,156	1,431,354
Cash at end of year		556,579	2,663,156

The accompanying notes form part of these financial statements.

NOTE 1. GENERAL INFORMATION

Ormil Energy Limited (the "Company") is a public company listed on the Australian Stock Exchange trading under the symbol 'OMX', incorporated in Australia and operating in Australia.

Ormil Energy Limited's registered office is as follows:

Registered office
Suite 8, 7 The Esplanade
Mt Pleasant WA 6153
Tel: 61 8 9316 9100

NOTE 2. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

2.1 Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)

The following new and revised Standards and Interpretations have been adopted in the current period and have affected the amounts reported in these financial statements. Details of other Standards and Interpretations adopted in these financial statements but that have had no effect on the amounts reported are set out in section 2.2.

Standards affecting presentation and disclosure

AASB 124 'Related Party Disclosures' (revised December 2009)

AASB 124 (revised December 2009) has been revised on the following two aspects: (a) AASB 124 (revised December 2009) has changed the definition of a related party and (b) AASB 124 (revised December 2009) introduces a partial exemption from the disclosure requirements for government-related entities.

The Company and its subsidiaries are not government-related entities. The application of the revised definition of related party set out in AASB 124 (revised December 2009) in the current year has resulted in the identification of related parties that were not identified as related parties under the previous Standard.

Specifically, associates of the ultimate holding company of the Company are treated as related parties of the Group under the revised Standard whilst such entities were not treated as related parties of the Group under the previous Standard. The related party disclosures set out in note 26 to the consolidated financial statements have been changed to reflect the application of the revised Standard. Changes have been applied retrospectively.

AASB 1054 'Australian Additional Disclosures' and AASB 2011-1 'Amendments to Australian Accounting Standards arising from Trans-Tasman Convergence Project'

AASB 1054 sets out the Australian-specific disclosures for entities that have adopted Australian Accounting Standards. This Standard contains disclosure requirements that are in addition to IFRSs in areas such as compliance with Australian Accounting Standards, the nature of financial statements (general purpose or special purpose), audit fees, imputation (franking) credits and the reconciliation of net operating cash flow to profit (loss).

AASB 2011-1 makes amendments to a range of Australian Accounting Standards and Interpretations for the purpose of closer alignment to IFRSs and harmonisation between Australian and New Zealand Standards. The Standard deletes various Australian-specific guidance and disclosures from other Standards (Australian-specific disclosures retained are now contained in AASB 1054), and aligns the wording used to that adopted in IFRSs.

NOTE 2. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS (CONTINUED)

2.2 Standards and Interpretations adopted with no effect on financial statements

Various new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

2.3 Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

(i) AASB 9 Financial Instruments, 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) (effective for annual reporting periods beginning on or after 1 January 2015).

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. When adopted, the standard is not expected to have a material impact on the Group financial statements.

There will also be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated as at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed. The group has not yet decided when to adopt AASB 9.

(ii) AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities and AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective 1 January 2013).

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements, and Interpretation 12 Consolidation – Special Purpose Entities. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. There is also new guidance on participating and protective rights and on agent/principal relationships. While the Group does not expect the new standard to have a significant impact on its composition, it has yet to perform a detailed analysis of the new guidance in the context of its various investees that may or may not be controlled under the new rules.

AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control. While the Group does not expect the new standard to have a significant impact on its composition, it has yet to perform a detailed analysis of the new guidance in the context of its various investees that may or may not be controlled under the new rules.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 128. Application of this standard by the Group will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's investments.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept. The Group is still assessing the impact of these amendments.

NOTE 2. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS (CONTINUED)

The Group does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

(iii) AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* (effective 1 January 2013)

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The Group does not use fair value measurements extensively. It is therefore unlikely that the new rules will have a significant impact on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The Group does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

(iv) AASB 2011-9 *Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income* (effective 1 July 2012)

In September 2011, the AASB made an amendment to AASB 101 Presentation of Financial Statements which requires entities to separate items presented in other comprehensive income into two groups, based on whether they may be recycled to profit or loss in the future. This will not affect the measurement of any of the items recognised in the balance sheet or the profit or loss in the current period. The Group intends to adopt the new standard from 1 July 2012.

(v) AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* (effective 1 July 2013)

In July 2011 the AASB decided to remove the individual key management personnel (KMP) disclosure requirements from AASB 124 Related Party Disclosures, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the Corporations Act 2001. While this will reduce the disclosures that are currently required in the notes to the financial statements, it will not affect any of the amounts recognised in the financial statements. The amendments apply from 1 July 2013 and cannot be adopted early. The Corporations Act requirements in relation to remuneration reports will remain unchanged for now, but these requirements are currently subject to review and may also be revised in the near future.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the *Corporations Act 2001*, Accounting Standards and Interpretations, and comply with other requirements of the law. The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for profit entity.

Accounting Standards include *Australian equivalents to International Financial Reporting Standards* ('A-IFRS'). Compliance with A-IFRS ensures that the financial statements and notes of the company and the Group comply with *International Financial Reporting Standards* ('IFRS').

The financial statements were authorised for issue by the directors on 28 September 2012.

Basis of preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are in Australian dollars, unless otherwise noted.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Early adoption of accounting standards

There has been no early adoption of accounting standards in the current year.

a. Going concern

The Directors have prepared the financial report on a going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

As at 30 June 2012 the company has $556,579 in cash and net current assets of $701,630. Following the acquisition of Energy Botswana Limited, the enlarged Group has committed exploration expenditures of $2,950,000 pursuant to its joint venture arrangements in addition to its ongoing corporate expenditure.

The Group has prepared a cash flow forecast which indicates the Consolidated Entity does not have sufficient cash to meet its minimum expenditure commitments and support its current level of corporate overheads and therefore needs to raise additional funds to continue as a going concern.

Accordingly, the ability of the Group to continue as a going concern is dependent on its ability to secure an adequate level of financial support through the non-renounceable rights issue announced on 27 September 2012 and to control the level of corporate expenditure. In respect to the rights issue, an amount of $1,930,000 has been underwritten by four entities, two of which are related to the Director. The Directors are confident that in total, capital of $3,700,000 will be raised as a result of the rights issue.

The directors are confident that they will be able to complete the rights issue and that it will provide the Consolidated Entity with sufficient funding to meet its expenditure commitments and support its planned level of overhead expenditures, and therefore that it is appropriate to prepare the financial statements on a going concern basis.

However, in the event that the Consolidated Entity is not able to successfully complete the rights issue referred to above, significant uncertainty would exist as to whether the Company and Consolidated Entity will be able to continue as going concerns and, therefore, whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial statements.

The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Company and Consolidated Entity not continue as going concerns.

b. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries) (referred to as 'the Group' in these financial statements). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c. Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant Standards. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with AASB 112 Income Taxes and AASB 119 Employee Benefits respectively;
- Liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with AASB 2 Share-based Payment; and
- Assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

d. Revenue

Interest revenue is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

e. Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f. Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

The policy described above is applied to all equity-settled share-based payments that were granted after 7 November 2002 and vested after 1 January 2005. No amounts have been recognised in the financial statements in respect of other equity-settled shared-based payments.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

g. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

h. Property, plant and equipment

Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

i. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

j. Financial assets

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

After initial recognition the Group measures financial assets, including derivatives that are assets, at their fair values, without any deduction for transaction costs it may incur on sale or other disposal, except investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, which is measured at cost.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and AASB 139 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the statement of comprehensive income.

AFS financial assets

Listed shares and listed redeemable notes held by the Group that are traded in an active market are classified as AFS and are stated at fair value. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

The Group also has investments in unlisted shares that are not traded in an active market but that are classified as AFS financial assets and stated at cost since the Directors could not reliably measure the fair value of the investment as the investment is in exploration activities that are still in the early stages of the project. In the prior year the investment was stated at fair value that was equal to cost.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

k. Financial liabilities and equity instruments issued by the Group

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

l. Goods and services tax

Revenues, 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, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- For receivables and payables which are recognised inclusive of GST.

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

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

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m. Exploration and evaluation

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable "area of interest". An area of interest may be determined by reference to one or more interest, lease or licence holdings, by geological association or by economic association or dependency.

Exploration and evaluation costs are fully capitalised as incurred so long as the rights to tenure of the area of interest are current and the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; or exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operation in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Capitalised exploration costs are reviewed each reporting date to determine whether an indication of impairment exists. For each exploration licence, this would involve consideration of an extensive field evaluation that has yielded no expected results. If any such indication exists, the recoverable amount of the capitalised exploration costs is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Accumulated costs (net of any impairment losses) in relation to an abandoned exploration area are written off in full against profit in the year in which the decision to abandon the area is made.

Where a decision is made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance will be classified to Development. At this point in time the Company does not have any assets in the Development stage.

NOTE 4: CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Impairment of exploration assets

Determining whether exploration assets require impairment is based on whether the company no longer wishes to hold that exploration licence or whether a detailed exploration programme has been completed across an entire licence that has yielded no results.

There is some uncertainty in the renewal of one of the three license areas. Exploration activity on this project will be suspended until some assurance can be shown in the projects long term viability in the prevailing political climate. However, the Group is confident that in the long term this project will have considerable value and be part of Sydney's energy mix.

NOTE 4: CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

AFS Investment

The Group has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at cost. As at the reporting date of 30 June 2012 the Directors could not reliably measure the fair value of the investment as the investment is in exploration activities that are still in the early stages of the project and is therefore carried at cost. Once the investment can be reliably measured, the investment will be carried at fair value. The Directors have assessed the investment for indicators of impairment and have determined that there is no impairment to be recognised.

Deferred tax assets

The application of accounting judgments is established in the Group's approach to the recognition of deferred tax assets arising from operating losses. Deferred tax assets are only recognised for deductible temporary differences and unused tax losses if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

NOTE 5: OTHER INCOME

	2012 $	2011 $
OTHER INCOME		
Interest received	87,150	98,237
TOTAL	87,150	98,237

NOTE 6: LOSS FOR THE YEAR

	2012 $	2011 $
EXPENSES		
Depreciation of property, plant & equipment	593	577
Operating lease rental	22,581	21,947
Other employee benefits expenses	277,772	492,565
Superannuation expenses	4,500	2,100

NOTE 7: SEGMENT NOTE

The Group operates entirely in the mining industry and within the sole geographical area of Australia. The operations comprise the investment in Australian coal seam gas and coal mine gas interests. As a result, the Chief Operating Decision maker sees the company as one segment only.

NOTE 8: INCOME TAX EXPENSE

The expense for the year can be reconciled to the accounting profit as follows:

	Year ended 30/06/12 $	Year ended 30/06/11 $
Loss from continuing operations:	(718,522)	(534,932)
Income tax income calculated at 30%	(215,556)	(160,480)
	(215,556)	(160,480)
Less: effect of unused tax losses and temporary differences not recognised as deferred tax assets	215,556	160,480
Total tax expense relating to continuing operations	-	-

NOTE 8: INCOME TAX EXPENSE (CONTINUED)

The tax rate used for the 2012 and 2011 reconciliations above is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law.

Deferred tax assets not recognised at the reporting date:	Year ended 30/06/12 $	Year ended 30/06/11 $
- tax losses (revenue)	1,364,592	1,152,063
- tax losses (capital)	1,471,141	1,471,141
- temporary differences	3,027	6,055
TOTAL	2,838,760	2,629,259

This benefit for tax losses will only be recognised if:

(a) It is probable that the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
(b) The consolidated entity continues to comply with the conditions for deductibility imposed by tax legislation; and
(c) No changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for the losses.

At the current stage, the Company is unable to ascertain whether the condition as set in part (a) will eventuate and hence no deferred tax asset is recognised as a result.

NOTE 9: RECEIVABLES

	2012 $	2011 $
CURRENT		
Input tax credits receivable	91,479	28,035
Security deposit	65,000	-
TOTAL	156,479	28,035

NOTE 10: OTHER FINANCIAL ASSETS

	2012 $	2011 $
INVESTMENTS CARRIED AT COST:		
NON-CURRENT		
Available for sale investments		
Investment in Apex Energy N.L.*	2,833,772	2,833,772
TOTAL	2,833,772	2,833,772

* Investment carried at cost, refer to note 3 (j). The Directors could not reliably measure the fair value of the investment as the investment is in exploration activities that are still in the early stages of the project. The Directors have assessed the investment for indicators of impairment and have determined that there is no impairment to be recognised.

NOTE 11: OTHER CURRENT ASSETS

	2012 $	2011 $
CURRENT		
Deposits	2,079	2,079
TOTAL	2,079	2,079

NOTE 12: PROPERTY, PLANT & EQUIPMENT

	2012 $	2011 $
Cost	1,747	1,747
Accumulated depreciation	(1,170)	(577)
TOTAL	577	1,170

Consolidated	**Office Equipment at cost $**	**Total at cost $**
Cost or valuation		
Balance at 1 July 2010	-	-
Additions	1,747	1,747
Balance at 30 June 2011	1,747	1,747
Additions	-	-
Balance at 30 June 2012	1,747	1,747
Accumulated Depreciation		
Balance at 1 July 2010	-	-
Depreciation	(577)	(577)
Balance at 30 June 2011	(577)	(577)
Depreciation	(593)	(593)
Balance at 30 June 2012	(1,170)	(1,170)
Net book value		
As at 30 June 2011	1,170	1,170
As at 30 June 2012	577	577

NOTE 13: EXPLORATION & EVALUATION ASSETS

	2012 $	2011 $
NON-CURRENT		
Balance at start of year	2,266,155	-
Add: Expenditure incurred during the year	1,257,325	2,266,155
Less: Exploration costs expensed	-	-
Balance at end of year	3,523,480	2,266,155

Expenditure includes $1,750,000 of acquisition costs in 2011 and $1,600,000 (2011: $516,155) Joint Venture Phase 1 expenditure capitalised and $173,480 (2011: nil) Joint Venture Phase 2 expenditure capitalised.

Recoverability of the carrying amount of exploration assets is dependent upon the successful exploration and sale of resources.

NOTE 14: PAYABLES

	2012 $	2011 $
CURRENT		
Sundry payables and other accruals	13,507	16,386
TOTAL	13,507	16,386

NOTE 15: ISSUED CAPITAL

	2012 $	2011 $
301,612,250 (2011: 301,612,250) fully paid ordinary shares	18,931,368	18,931,368

a. *ORDINARY SHARES*	2012 No.	2012 $	2011 No.	2011 $
At the beginning of reporting period	301,612,250	18,931,368	162,074,833	14,240,139
Shares issued during the year	-	-	139,537,417	4,851,122
Less: Share issue cost	-	-	-	(159,893)
As at 30 June	301,612,250	18,931,368	301,612,250	18,931,368

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At the shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

b. *SHARE OPTIONS*	Number of Options 2012	 2011
Options over ordinary shares in the parent entity	19,000,000	29,000,000

NOTE 15: ISSUED CAPITAL (CONTINUED)

c. SHARE OPTIONS ISSUE

As at 30 June 2012, the company had 19,000,000 share options on issue (2011: 29,000,000), exercisable on a 1:1 basis for 19,000,000 ordinary shares of the company (2011: 29,000,000) at an exercise price between $0.06 and $0.50. The options expire between 31 July 2012 and 30 June 2013 (2011: 30 June 2012 and 30 June 2013), and carry no rights to dividends and no voting rights.

On 20 August 2010 the Company issued 2,000,000 unlisted options to Mr M Ohlsson at an exercise price of 6 cents per share which expire 30 June 2013 and on 15 November 2010 issued 10,000,000 unlisted options issued to Mr T Fontaine at an exercise price of 6 cents which expired 30 June 2012.

d. SHARE OPTION EXPIRY

10,000,000 options exercisable at 6 cents per share expired on 30 June 2012. No options expired during the previous financial year.

e. SHARE OPTION CANCELLATION

No options were cancelled during the financial year.

NOTE 16: ACCUMULATED LOSSES

	2012 $	2011 $
Balance at beginning of financial year	(11,153,387)	(10,618,455)
Net loss attributable to equity holders of the parent entity	(718,522)	(534,932)
Balance at end of financial year	(11,871,909)	(11,153,387)

NOTE 17: EARNINGS PER SHARE

	2012 $	2011 $
Basic loss per share		
From continuing operations	(0.24)	(0.18)
Diluted loss per share		
From continuing operations	(0.24)	(0.18)
Loss used to calculate earnings per share		
From continuing operations	(718,522)	(534,932)
Weighted average number of ordinary shares outstanding during the period used in calculating basic loss per share	301,612,250	291,472,903

The dilutive loss per share is the same as the basic loss per share as the consolidated entity is in a loss position.

There is no dilution of earnings on the exercise of options as there are no options 'in the money' and the Company is in a loss making position.

NOTE 18: DIVIDENDS

There have been no dividends paid or proposed during the current financial year.

NOTE 19: EVENTS AFTER THE REPORTING DATE AND COMMITMENTS

In August the Company completed the takeover of Energy Botswana Limited ("EBL").

EBL is an Australian public unlisted energy company with a portfolio of highly prospective Coal Seam Gas ("CSG") licenses in Botswana, Africa.

The initial accounting for the business combination is still incomplete at the time of the financial statements are authorised for issue.

EBL has an experienced management team with strong local relationships and partners in Botswana, a politically stable and flourishing country.

The EBL CBM exploration portfolio consists of multiple CBM prospecting licences, focused on two separate project areas, within the overall central Kalahari Karoo basin. The "Central CBM Project" consists of 1,205 km^2 of prospecting licences over prospective CBM acreage in the Mmashoro Region. The "Northern CBM Project" consists of 1,132 km^2 of prospecting licences over prospective CBM acreage in the Nata Region. The Botswana Department of Geological Survey reports that 196 Tcf of "gas in place" is estimated to be present in the coal and carbonaceous shale sequences in the central Kalahari Karoo Basin in Botswana.

The exploration opportunity is reinforced by neighbouring peers that are significant multinationals such as Exxaro Resources Ltd and Origin Energy Ltd.

EBL also has a petroleum exploration licence application in the Nata Region currently pending with the Botswana Government.

On 27 September 2012 the Company held a General Meeting of Shareholders. All resolutions put to the meeting were passed. These included a change of name of the Company to Magnum Gas & Power Limited, issue of options and a number of resolutions relating to the Company's rights issue.

On 27 September 2012 the Company announced a non-renounceable rights issue of one new share for every three shares currently held at a price of 2.2 cents per share. The issue is partially underwritten.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

Commitments	**30 Jun 2012**	**30 Jun 2011**
	$	**$**
Gas properties		
Not longer than 1 year	1,426,520	2,683,845
Longer than 1 year and not longer than 5 years	-	-
Longer than 5 years	-	-
TOTAL	**1,426,520**	**2,683,845**

Total commitments payable in Stages 1 and 2 of the Apex Energy N.L. Joint venture are $3,200,000. As at 30 June 2012, $1,773,480 has been expended in relation to the Joint Venture.

At balance date there were no other commitments not otherwise disclosed in these accounts.

NOTE 20: CONTINGENT LIABILITIES

The directors do not believe there are any contingent liabilities in existence at balance date, not otherwise disclosed in the financial statements.

NOTE 21: JOINTLY CONTROLLED OPERATIONS

(a) Share of contingent liabilities and expenditure commitments of jointly controlled operations

	2012	2011
Contingent liabilities	-	-
Capital expenditure commitments	-	-
Other expenditure commitments	1,426,520	2,683,845

Total commitments payable in Stages 1 and 2 of the Apex Energy N.L. Joint venture are $3,200,000. As at 30 June 2012, $1,773,480 has been expended in relation to the Joint Venture.

(b) Interests in jointly controlled operations

On 24 August 2010 the Company acquired from Apex Energy N.L. the whole of the issued capital of Sydney Basin CBM Pty Limited which owns a 20% interest in Petroleum Exploration Licences 442, 444 and 454 in the Sydney Basin for Coal Seam Methane and a 20% interest in agreements with the owners of Coal Mining Leases CCL703, 379, 700 and 740 and Authorisation 200 which are prospective for CMM.

At the same time the Company entered into a joint venture agreement with Apex Energy N.L. under which Ormil Energy Limited has agreed to spend $3,200,000 in Stages 1 and 2 of a 3 stage joint venture.

After spending the $3,200,000 in Stages 1 and 2 of the joint venture the conditions for the completion of the acquisition of Sydney Basin CBM Pty Limited will have been fulfilled and the Company will own outright 20% of the exploration areas. The Company at its election may earn a further 30% in the areas by spending a further $7,000,000 on the areas on or before 30 June 2015 in Stage 3 of the joint venture.

NOTE 22: SUBSIDIARIES

	Country of Incorporation	Percentage Owned (%)*	
		2012	2011
Controlled entities consolidated:			
Parent Entity:			
Ormil Energy Limited	Australia		
Subsidiaries of Ormil Energy Limited:			
Ormil Operations Pty Limited+	Australia	100	100
Sydney Basin CBM Pty Ltd	Australia	100	100
Ormil Developments Pty Ltd ^	Australia	100	-

* Percentage of voting power is in proportion to ownership

\+ Ormil Operations Pty Limited owns 2,000,000 shares (approximately 2.63%) of the issued shares of Apex Energy N.L.

^ Ormil Developments Pty Ltd was incorporated on 19 August 2011 and has not yet traded

NOTE 23: FINANCIAL INSTRUMENTS

(a) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through holding cash only to the extent necessary to meet Group commitments and its immediate exploration program. The Group's overall capital strategy remains unchanged from 2011.

The capital structure of the Group consists of cash and cash equivalents, and equity attributable to equity holders of the parent comprising issued capital and accumulated losses as disclosed in the notes 15 & 16 respectively. The Group operates in Australia and none of the Group's entities are subject to externally imposed capital requirements going forward.

(b) Categories of financial instruments	**2012** $	**2011** $
Financial assets		
Cash and cash equivalents	556,579	2,663,156
Receivables (includes GST)	156,479	28,035
Available for sale investments at cost	2,833,772	2,833,772
Financial liabilities		
Payables	(13,507)	(16,386)

The carrying amount reflected above represents the Company's and the Group's maximum exposure to credit risk for other loans and receivables.

(c) Financial risk management objectives

The Board monitors and manages financial risks relating to the operations of the Group on an individual case basis. These risks include market risk (including currency risk and interest rate risk), credit risk, liquidity risk and cash flow interest rate risk. The Group does not use derivatives to manage its exposure nor trade instruments for speculative purposes.

(d) Market risk

The Group's current activities do not expose it to market risk.

(e) Credit risk management

Credit risk refers to the risk that a counter-party will default on its contractual obligations resulting in financial loss to the Group. The Group attempts to deal with only creditworthy counterparties and obtain sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults.

The Group does not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Other price risks

The Group is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. As at the reporting date of 30 June 2012 the Directors could not reliably measure the fair value of the investment as the investment is in exploration activities that are still in the early stages of the project and is therefore carried at cost. Once the investment can be reliably measured the investment will be carried at fair value. Hence the directors have not performed any equity price sensitivity analysis.

(f) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who are informed of current cash burn and all liquidity issues at each board meeting. The Group manages liquidity by continuously monitoring forecast and actual cash flows against cash held.

Liquidity and interest risk tables

The following tables detail the Group's and the Company's remaining contractual maturity profile for its non-derivative financial assets and liabilities. The tables have been drawn up based on the undiscounted cash flows based on the earliest date on which the Group will receive/pay the funds. Note that the following tables exclude the commitments identified and disclosed in note 19.

NOTE 23: FINANCIAL INSTRUMENTS

2012	Weighted average effective interest rate %	Less than 1 month $	1-3 months $	3 months to 1 year $	Total $
Cash – variable interest rate	4.25	556,579	-	-	556,579
Receivable – not interest bearing		156,479	-	-	156,479
		713,058	-	-	713,058
Payables – not interest bearing		13,507	-	-	13,507
		13,507	-	-	13,507

2011	Weighted average effective interest rate %	Less than 1 1 month $	1-3 months $	3 months to 1 year $	Total $
Cash – variable interest rate	4.75	2,663,156	-	-	2,663,156
Receivable – not interest bearing		28,035	-	-	28,035
		2,691,191	-	-	2,691,191
Payables – not interest bearing		16,386	-	-	16,386
		16,386	-	-	16,386

NOTE 24: SHARE BASED PAYMENTS

Options to purchase shares have been issued to Directors, and to key consultants of the Company as approved by the Board of Directors and an Extraordinary General Meeting of Shareholders. Each share option converts into one ordinary share of Ormil Energy Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights.

The following share-based payment arrangements were in existence during the current and comparative reporting periods. All options have vested as at balance date.

Options series	Number	Grant date	Expiry date	Exercise price ($)	Fair value at grant ($)	Days prior to expiry
Issued 31 July 2007	250,000	31/07/07	31/07/12	0.17	0.037	31
Issued 31 July 2007	250,000	31/07/07	31/07/12	0.25	0.020	31
Issued 31 July 2007	250,000	31/07/07	31/07/12	0.30	0.014	31
Issued 31 July 2007	250,000	31/07/07	31/07/12	0.35	0.010	31
Issued 31 July 2007	250,000	31/07/07	31/07/12	0.45	0.005	31
Issued 31 July 2007	250,000	31/07/07	31/07/12	0.50	0.004	31
Issued 30 June 2010	15,500,000	30/06/10	30/06/13	0.06	0.004	365
Issued 20 Aug 2010	2,000,000	20/08/10	30/06/13	0.06	0.0011	365
Issued 15 Nov 2010	10,000,000	15/11/10	30/06/12	0.06	0.0004	-

NOTE 24: SHARE BASED PAYMENTS (CONTINUED)

	2012		2011	
	Number of Options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $
Outstanding at the beginning of the year	29,000,000	0.07	17,000,000	0.08
Granted	-	-	12,000,000	0.06
Forfeited	-	-	-	-
Exercised	-	-	-	-
Expired	10,000,000	0.06	-	-
Outstanding at year-end	19,000,000	0.08	29,000,000	0.07
Exercisable at year-end	19,000,000	0.08	29,000,000	0.07

No options were issued in the current year.

On 20 August 2010 the Company issued 2,000,000 unlisted options to Mr M. Ohlsson at an exercise price of 6 cents per share which expire 30 June 2013 and on 15 November 2010 issued 10,000,000 unlisted options issued to Mr T. Fontaine at an exercise price of 6 cents which expired 30 June 2012.

No options have been exercised during the financial year.

NOTE 25: KEY MANAGEMENT PERSONNEL COMPENSATION

The aggregate compensation made to directors and other members of key management personnel of the company and Group is set out below:

	2012 $	2011 $
Short-term employee benefits	402,314	449,226
Post-employment benefits	4,500	212,100
Share based payment	-	5,107
TOTAL	406,814	666,433

NOTE 26: RELATED PARTY TRANSACTIONS

Option holdings

The numbers of options over ordinary shares in the Company held during the financial year by each key management personnel of Ormil Energy Limited, including their personally-related entities, are set out below.

Name	Balance at the start of the year	Granted during the year as remuneration	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Mr A.A. Davis ^	4,000,000	-	-	-	4,000,000	4,000,000
Mr P.A. Curry <	2,500,000	-	-	-	2,500,000	2,500,000
Mr B. Montgomery	2,500,000	-	-	-	2,500,000	2,500,000
Prof. I.R. Plimer ^	2,500,000	-	-	-	2,500,000	2,500,000
Mr T. Fontaine	10,000,000	-	-	(10,000,000)	-	-

^ Resigned 22 November 2011.
< Resigned 27 September 2012.

Shareholdings

The numbers of shares in the Company held during the financial year by each key management personnel of Ormil Energy Limited, including their personally-related entities, are set out below:

Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Mr A.A. Davis ^	16,376,500	-	-	16,376,500
Mr P.A. Curry <	10,000	-	-	10,000
Prof I. Plimer ^	2,000,000	-	-	2,000,000
Mr T. Fontaine	44,123,069	-	-	44,123,069

^ Resigned on 22 November 2011.
< Resigned 27 September 2012.

Loans to Directors and Executives

No loans were made to Directors of Ormil Energy Limited, including their personally-related entities.

Other transactions with Directors

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

NOTE 27: AUDITORS' REMUNERATION

	2012 $	2011 $
Remuneration of the auditor of the parent entity for:		
- Auditing or reviewing the financial reports	92,625	85,600
TOTAL	92,625	85,600

NOTE 28: CASH AND CASH EQUIVALENTS

	2012 $	2011 $
Cash at bank and on hand	71,619	43,600
Cash at call	484,960	2,619,556
TOTAL	556,579	2,663,156

Reconciliation of loss for the period to net cash flows from operating activities

	2012 $	2011 $
Loss for the year	(718,522)	(534,932)
ADJUSTMENTS FOR NON CASH ITEMS		
- Depreciation expense	593	577
- Bad debts recovered	-	(642,519)
- Consulting fees paid by share issue	-	160,000
- Share based payment	-	120,000
CHANGES IN WORKING CAPITAL		
- (Increase)/Decrease in receivables and prepayments	(63,444)	4,166
- Decrease in payables & borrowings	(2,879)	(38,816)
Net cash from operating activities	(784,252)	(931,524)

NOTE 29: NON CASH TRANSACTIONS

During the 2012 financial year there were no non-cash transactions.

During the 2011 financial year, the Group entered into the following non-cash investing and financing activities which are not reflected in the statement of cash flows:

Share issue proceeds of $160,000 were received in the form of consulting services.

NOTE 30: PARENT ENTITY DISCLOSURES

Financial Position	2012 $	2011 $
Assets		
Current Assets	715,415	2,663,156
Non-Current Assets	6,357,551	5,131,211
Total Assets	7,072,966	7,794,367

NOTE 30: PARENT ENTITY DISCLOSURES

Liabilities		
Current Liabilities	13,507	16,386
Non-Current Liabilities	-	-
Total Liabilities	13,507	16,386
Equity		
Issued Capital	18,931,368	18,931,368
Retained Earnings	(11,871,909)	(11,153,387)
Reserves	-	-
Total Equity	7,059,459	7,777,981

Financial Performance	**2012** **$**	**2011** **$**
Loss for the year	(718,522)	(534,932)
Other Comprehensive Income	-	-
Total Comprehensive Loss	(718,522)	(534,932)

ADDITIONAL ASX INFORMATION

Pursuant to the Listing requirements of the Australian Securities Exchange Limited, the shareholder information set out below was applicable as at 8 October 2012.

A. Distribution of Security Classes Fully Paid Ordinary

Holdings Ranges	Holders	Total Units	%
1-1,000	21	5,033	0.00
1,001 – 5,000	29	104,030	0.02
5,001 – 10,000	72	596,495	0.10
10,001 – 100,000	205	8,993,999	1.51
100,001 – 999,999,999	206	585,171,554	98.37
Totals	**533**	**594,871,111**	**100.00**

There were 153 shareholders of less than a marketable parcel

B. Substantial shareholders

The following table summarises the Company's register of substantial shareholders. (those who hold greater than 5% of the issued capital)

Name	No. of ordinary shares held
Mr RAALIN WHEELER	60,300,001
MR TRENT WHEELER	60,300,001
AVATAR ENERGY PTY LTD	39,273,069
MR DAVID JOHN NEWMAN	36,612,000
MR BENNY BEN OTIM	34,812,000

C. Top 20 Holdings as at 8 October 2012

Holder Name	Balance at 8 October 2012	%
MR RAALIN WHEELER	60,300,001	10.14
MR TRENT WHEELER	60,300,001	10.14
AVATAR ENERGY PTY LTD	39,273,069	6.60
MR DAVID JOHN NEWMAN	36,612,000	6.15
MR BENNY BEN OTIM	34,812,000	5.85
EUROGOLD LIMITED	28,229,708	4.75
APEX ENERGY NL	20,000,000	3.36
SEBASTIEN HOLDINGS PTY LTD	17,466,913	2.94
MR JOHN CARMODY	16,649,907	2.80
ABM GROUP PTY LTD	15,480,000	2.60
SINO GOLD LIMITED	15,305,604	2.57
ALAN DAVIS PTY LTD	14,876,500	2.50
SOBU ENERGY PTY LTD	12,000,000	2.02
HHH GROUP PTY LTD	11,805,977	1.98
MR DOUGLAS ALLAN BROOKS <BROOKS FAMILY A/C>	9,000,000	1.51
KALAHARI RESOURCES PTY LTD	8,751,841	1.47
MR JOHN HALL	6,759,000	1.14
MR RON DEAN	6,750,000	1.13
UAROO PTY LTD	6,750,000	1.13
MR GREGORY NORMAN KATER	6,429,500	1.08
Total Top 20 shareholders	**427,552,021**	**71.86**
Total issued shares	**594,871,111**	

D. Voting rights:

Registered holders of ordinary shares in the capital of the Company may attend and vote at general meetings of the Company in person or by proxy and may exercise one vote for each share held.

E. Restricted Securities:

There are 141,351,843 ordinary shares subject to restriction agreements. The restriction period expires on 7 August 2013.