



NORWEST ENERGY NL
AND ITS CONTROLLED ENTITIES

(ABN 65 078 301 505)

HALF-YEAR FINANCIAL REPORT

For the half-year 31 December 2004

DIRECTORS' REPORT

The Directors present their report together with the consolidated financial report for the half-year ended 31 December 2004 and the auditors review report thereon.

DIRECTORS

The names of the Company's Directors in office during the half-year or since the end of the half-year are stated below.

Directors were in office for this entire period unless otherwise stated.

Mr Henry David Kennedy, MA (Geology), PESA, AIG (Chairman, Non-Executive) Appointed 23/04/97

Mr Jonathan (Joe) Arnold Salomon, BAppSc (Geology), AAPG, PESGB, SEAPEX Chief Executive Officer and Director. Appointed 18/10/04

Mr Andrejs (Andrew) Karlis Svalbe, BSc (Hons) Econ. Geol. Member PESA, AAPG, ASEG, FESWA (Alternate Director for Mr H D Kennedy) (Non-Executive Director) Appointed 30/01/98 Appointed full Director 3/2/04

Mr Peter Lawson Munachen – FCA (Executive Director) Appointed 25/11/03

REVIEW OF OPERATIONS - EXPLORATION ACTIVITIES

The Company continues to be involved in oil and gas exploration in Australia, United Kingdom and the United States of America.

A summary of activities during the half-year is set out below.

US Appalachian Gas

Norwest 70%/50%

During the period Norwest reviewed new venture projects involving fractured shale gas plays in the Appalachian Basin in the USA. Norwest signed a Heads of Agreement with Golden Triangle Energy, Inc, a US company which had leased approximately 7,000 acres in Kentucky. The acreage sits over identified geological trends which it is believed will enhance the fracture systems in the Devonian shale. Norwest has agreed to fund the first US\$1 million in expenditure to drill 3 wells and lease additional acreage in return for a 70% interest. Drilling will commence in 2005. In addition, Norwest and Golden Triangle have signed an Area of Mutual Interest Agreement for further Appalachians projects where interest will be shared 50/50.

UK North Sea Blocks (UK)

Norwest 50%

Norwest signed a Heads of Agreement with Australian company Nido Petroleum Limited to acquire 50% of Block 48/1a (part) and 48/2b (part) in the Southern Gas Basin of the UK North Sea. The consideration includes reimbursement of certain costs and a carry through the initial two-year evaluation work program to a maximum of A\$300,000.

The 48/1a & 2b block contains a well that encountered 120 metres of gas bearing sandstone and that flowed at up to 2.7 million cubic feet of gas per day when it was drilled in 1984. Work to date indicates that the well is on the flanks of a substantial structure, and a work program will be designed to reprocess 3D seismic and complete a new interpretation.

Norwest and Nido have agreed to work together under an AMI to jointly pursue other North Sea opportunities.

TP/15 (Northern Onshore Perth Basin)

Norwest earning 10%

The Newton aerial gravity survey was undertaken in the permit area in December and was used to assist in planning the Verena Transition Zone Seismic Survey to be recorded in early 2005. The 230 km seismic survey will be focused on high grading a number of leads in the permit area with the aim of bringing them to drillable status.

EP-419 (Northern Onshore Perth Basin)**Norwest 0%**

The company has farmed out its interest to an unrelated private third party.

EP-368 (Northern Onshore Perth Basin)**Norwest 10%**

Acquisition of a regional gravity survey extending over the permit and adjacent areas of the basin was delayed until after the cropping season and will be recorded early in the New Year. It is anticipated that this will be followed by a detailed 2D seismic survey aimed at maturing a prospect close to the Mount Horner field which is in the adjacent licence area.

AC/P32 (Vulcan Sub Basin, Timor Sea)**Norwest 32.67%**

During the half year a number of exploration activities were conducted. Reprocessing of approximately 180 km of 3D seismic data was completed with a significant increase in data quality allowing a new interpretation over the existing leads. In addition, a 146 km 2D Seismic Survey was conducted in August 2004 to further delineate the Magnolia Prospect which will now be drilled in 2005.

A Letter of Intent has been signed with Diamond Offshore to use the Ocean Bounty to drill the Magnolia well. It is anticipated that this will be drilled in July 2005 depending on the rig schedule.

An extension of the permit terms was granted by the Director of Energy to allow sufficient time to contract a drilling rig.

A farmout to Adelphi Energy Limited, was completed giving Adelphi the right to earn a 25% interest in the well by funding 37.5% of the upcoming Magnolia well and a portion of the seismic costs. Additional farminees are being sought.

AC/P22 (Vulcan Sub Basin, Timor Sea)**Norwest 2.5%**

Farmout negotiations with a third party were completed during the report period which resulted in Norwest having a 2.5% interest in the block. The farmin agreement provides for conversion of this interest into a 1.25% Overriding Royalty Interest in any production from the permit which contains the Puffin Field.

EP-364 Onshore Carnarvon Basin**Norwest 10%**

Norwest did not participate in the drilling of Cyrano-2, drilled in December 2004 which was plugged and abandoned as a dry hole. The permit is currently being reviewed with view to a possible renewal in May 2005.

EP-413 and L-14 Jingemia Oil Field (Northern Onshore Perth Basin)**Norwest 1.278%**

Long term production facilities were constructed at Jingemia during the report period.

Oil production from the Jingemia No.1 and No. 4 well during the period was 455,806 barrels, 5,825 net to Norwest. Production was from Jingemia 1 and 4 with pressure support from the Jingemia No.3 water injection well.

The produced oil is sent via truck to BP's Kwinana Refinery.

A 3D Seismic Survey over the northern portion of EP 413 and the Jingemia Field in L14 will be conducted in early 2005.

EP-437 (Northern Onshore Perth Basin)**Norwest 33.33%**

During the report period Norwest and its partners CalEnergy and Arc Energy Limited, (operator), were offered the exploration permit over what was known as L02-6. A gravity survey is planned for the first permit year.

Auditors Independence Declaration under Section 307C of the Corporations Act 2001.

The auditor's independence declaration is set out on page 4 and forms part of the directors' report for the half-year ended 31 December 2004.

Signed in accordance with a resolution of the directors:

J A Salomon
Director
Perth

Competent Person

The above information as far as it relates to potential hydrocarbon reserves, is based on, and accurately reflects, information compiled by Mr J A Salomon. Mr Salomon has appropriate technical qualifications, in excess of 5 years relevant experience and is a Member of the Australasian Institute of Mining and Metallurgy. Mr Salomon is a director of Norwest Energy NL and he consents to the release of the information, as disclosed above.



Lead Auditor's Independence Declaration under Section 307C of the Corporation Act 2001

To: the directors of Norwest Energy NL

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2004 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

A handwritten signature in black ink that reads 'KPMG'.

KPMG

A handwritten signature in black ink that reads 'B P Steedman'.

B P Steedman
Partner

Perth 9 March 2005

DIRECTORS' DECLARATION

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

- (a) the financial statements and notes set out on pages 6 to 12 are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2004 and of its performance, as represented by the results of its operations and cash flows for the half year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and

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

Dated at Perth the 9th day of March 2005

Signed in accordance with a resolution of the directors

J A Salomon
Director
Perth

STATEMENT OF FINANCIAL PERFORMANCE
HALF-YEAR 31 DECEMBER 2004

		CONSOLIDATED	
		2004	2003
		\$	\$
Revenues from ordinary activities			
Oil sales		313,167	82,063
Interest		196,283	10,509
Other Revenue		43,000	37,279
Total Revenue		552,450	129,851
Expenses from ordinary activities			
- Exploration expenditure written off		(23,372)	(617,618)
- Depletion of production asset		(75,349)	-
- Depreciation		(3,929)	(2,687)
- Salaries		(18,620)	(74,691)
- General and administrative expenses		(518,144)	(296,438)
Loss from ordinary activities before income tax expense		(86,964)	(861,583)
Income tax expense relating to ordinary activities		-	-
Net loss	2	(86,964)	(861,583)
Basic loss per share (cents per share)		(0.05)	(0.52)

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

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2004

CONSOLIDATED

	Note	31 December 2004 \$	30 June 2004 \$
Current Assets			
Cash		7,623,949	7,880,879
Receivables		68,314	478,282
Total Current Assets		7,692,263	8,359,161
Non-Current Assets			
Receivables		12,002	12,002
Property, plant & equipment		25,334	9,371
Deferred Exploration Expenditure		1,502,660	811,535
Production Assets		841,711	884,292
Total Non-Current Assets		2,381,707	1,717,200
Total Assets		10,073,970	10,076,361
Current Liabilities			
Payables		182,183	97,610
Total Current Liabilities		182,183	97,610
Non-Current Liabilities			
Provisions		310,224	310,224
Total Liabilities		492,407	407,834
Net Assets		9,581,563	9,668,527
Equity			
Contributed equity	3	25,001,398	25,001,398
Accumulated losses	2	(15,419,835)	(15,332,871)
Total Equity		9,581,563	9,668,527

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

STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2004

	CONSOLIDATED	
	2004	2003
	\$	\$
Cash Flows from Operating Activities		
Receipts in the course of operations	322,562	97,703
Payment to suppliers and employees	(388,268)	(383,671)
Interest received	196,283	10,509
Net Cash Flows from Operating Activities	130,577	(275,459)
Cash Flows from Investing Activities		
Payment for purchase of fixed assets	(19,892)	-
Payments for exploration activities	(289,533)	(1,100,167)
Increase in security bond receivable	-	(538)
Net Cash Flows from Investing Activities	(309,425)	(1,100,705)
Cash Flows from Financing Activities		
Proceeds from the issue of ordinary shares	-	200,000
Payments for share issue costs	-	(10,000)
Proceeds from loan received	-	25,000
Net Cash Flows from Financing Activities	-	215,000
Net Decrease in Cash Held	(178,848)	(1,161,164)
Cash at the beginning of the financial period	7,880,879	1,200,024
Effect of exchange rate fluctuations on the balances of cash held in foreign currencies	(78,082)	-
Cash at the end of the financial period	7,623,949	38,860

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

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS 31 DECEMBER 2004

Statement of Significant Accounting Policies

1. BASIS OF PREPARATION OF HALF-YEAR FINANCIAL REPORT

The half-year consolidated financial report is a general purpose financial report which has been prepared in accordance with Accounting Standard AASB 1029 "Interim Financial Reporting", the recognition and measurement requirements of applicable AASB standards, Urgent Issues Group Consensus Views, and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. This half-year financial report is to be read in conjunction with the 30 June 2004 Annual Financial report and any public announcements by Norwest Energy NL and its Controlled Entities during the half-year in accordance with continuous disclosure obligations arising under the Corporations Act 2001.

It has been prepared on the basis of historical costs and except where stated does not take into account changing money values or fair values on non-current assets.

These accounting policies have been consistently applied by each entity in the consolidated entity and are consistent with those applied in the 30 June 2004 Annual Financial Report.

The half-year report does not include full note disclosure of the type normally included in an annual financial report.

2. ACCUMULATED LOSSES

	CONSOLIDATED	
	2004 \$	2003 \$
Accumulated losses at the beginning of the half-year	15,332,871	20,310,563
Net loss attributable to members of Norwest Energy NL	86,964	861,583
Accumulated losses at the end of the half-year	15,419,835	21,172,146

	31 December 2004		30 June 2004	
	No. of Shares/options	\$	No. of Shares/options	\$
3. CONTRIBUTED EQUITY				
Issued and Paid Up Capital				
Beginning of the financial period	167,471,872	23,942,460	162,471,872	23,752,460
Issued during the period				
Public equity raising	-	-	5,000,000	200,000
- less transaction costs	-	-	-	(10,000)
End of the financial period	167,471,872	23,942,460	167,471,872	23,942,460
Other Contributed Equity				
Option Premium			-	-
Beginning of financial year	46,420,643	1,058,938	46,420,643	1,058,938
Expired 31 December 2004	(46,420,643)	-	-	-
	-	1,058,938	46,420,643	1,058,938
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Unlisted Employee/Director Options exercisable at 20c each on or before 28.11.07	3,250,000	-	3,250,000	-
Unlisted Employee/Director Options exercisable at 10c each on or before 30.06.08	500,000	-	-	-
Unlisted Employee/Director Options exercisable at 15c each on or before 30.06.08	500,000	-	-	-
Unlisted Employee/Director Options exercisable at 15c each on or before 22.11.08	1,100,000	-	-	-
Unlisted Employee/Director Options exercisable at 15c each on or before 25.11.09	2,500,000	-	-	-
Total Contributed Equity		25,001,398		25,001,398

4. SEGMENT INFORMATION

Norwest Energy NL operates in one business segment being petroleum exploration and development, and predominately in one geographical area, Australia.

5. EVENT SUBSEQUENT TO REPORTING DATE

International Financial Reporting Standards

For reporting periods beginning on or after 1 January 2005, the consolidated entity must comply with Australian equivalents to International Financial Reporting Standards (AIFRS) as issued by the Australian Accounting Standards Board.

This half-year financial report has been prepared in accordance with Australian accounting standards and other financial reporting requirements (Australian GAAP) applicable for reporting periods ending on 31 December 2004.

Implementation Project

The Board have established a formal implementation project, monitored by a steering committee, to assess the impact of transition to AIFRS and to achieve compliance with AIFRS reporting for the year commencing 1 July 2005. The implementation project consists of three phases: Assessment and planning; Design; and Implementation.

Assessment and planning phase

The assessment and planning phase is in its inception stage and is designed to highlight the impacts of conversion to AIFRS on existing accounting and reporting policies and procedures, systems and processes, business structures and staff. This phase will include:

- identification of the key differences in accounting policies and disclosures that are expected to arise from adopting AIFRS
- assessment of the new information requirements affecting management information systems
- provision of training to all relevant staff
- preparation of a conversion plan for expected changes to accounting policies, reporting structures, systems and accounting processes

The assessment and planning phase is in progress at 31 December 2004.

Design phase

The design phase aims to formulate the changes required to existing accounting policies, procedures and systems in order to make the transition to AIFRS.

The design phase incorporates:

- formulating revised accounting policies and procedures for compliance with AIFRS requirements
- identifying potential financial impacts as at the transition date and for subsequent reporting periods prior to adoption of AIFRS
- developing revised AIFRS disclosures
- sourcing training programs for staff

The design phase is expected to be completed by 30 June 2005.

Implementation phase

The implementation phase will include implementation of identified changes to accounting and business procedures, processes and systems. It will enable the consolidated entity to generate the required disclosures of AASB1 as it progresses through its transition to AIFRS.

This phase is expected to be substantially complete by 30 June 2005.

Impact of transition to AIFRS

The differences between Australian Generally Accepted Accounting Principles (Australian GAAP) and Australian equivalents to International Financial Reporting Standards (AIFRS) identified to date as potentially having a significant impact on the consolidated entity's financial performance and financial position are summarised below. The summary should not be taken as an exhaustive list of all differences between current Australian GAAP and AIFRS. No attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions or events are presented.

The consolidated entity has not completed its project to assess the impact of adoption of AIFRS and has not quantified the effects of all the differences discussed below. Where work streams have been completed, accounting policies have been determined and the transitional elections available under AASB 1 First Time Adoption of Australian Equivalents to International Financial Reporting Standards have been considered.

Any assessments made in respect of the transition to AIFRS may require adjustment before inclusion in the first complete annual/half-year financial report prepared in accordance with AIFRS due to new or revised standards or interpretations, changes in the operations of the business, or additional guidance on the application of AIFRS in a particular industry or to a particular transaction.

Equity Based Compensation

Difference identified – currently, there is no charge to the Statement of Financial Performance in relation to the issue of options under the plan.

Ongoing impact – in future years, if the current option plan arrangements remain in place, employee benefit expenses will increase due to the expensing of the fair value of options over the vesting period.

Income Tax

Difference identified - accounting treatment changes from income statement liability approach to a balance sheet approach.

Ongoing impact – additional deferred tax assets may be recognized as a result of the change in recognition criteria to “probable” rather than “virtually certain” or “beyond reasonable doubt”.

Provisions

Difference identified - restoration and rehabilitation must be recognised on acquisition of an asset.

Ongoing impact – fixed assets and provisions will be recognized in the balance sheet which will lead to an increased depreciation charge.

Impairment

Difference identified - discounting is required in assessing recoverable amount.

Ongoing impact – impairment testing is required to be performed at an asset or cash generating level, which is at a lower level than performed previously. The impact of a more rigorous impairment test may result in additional write downs.

Financial Instruments

Difference identified - recognition of all financial assets and liabilities will be recorded at fair value.

Ongoing impact – this may result in an increase in total assets and total liabilities.

Independent review report to the members of Norwest Energy NL***Scope****The financial report and directors' responsibility*

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for the Norwest Energy NL Consolidated Entity ("the Consolidated Entity"), for the half-year ended 31 December 2004. The Consolidated Entity comprises Norwest Energy NL ("the Company") and the entities it controlled during that half-year.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted an independent review in order for the Company to lodge the financial report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements.

We performed procedures in order to state whether on the basis of the procedures described anything has come to our attention that would indicate the financial report does not present fairly, in accordance with the Corporations Act 2001, Australian Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Consolidated Entity's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our statement on the basis of the review procedures performed, which were limited primarily to:

④ enquiries of company personnel; and ④ analytical procedures applied to the financial data.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

The procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

A review cannot guarantee that all material misstatements have been detected.



KPMG, an Australian partnership, is a member of KPMG International, a Swiss non-operating association

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe the half-year financial report of Norwest Energy NL is not in accordance with:

a) the Corporations Act 2001, including:

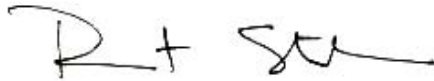
i. giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2004 and of its performance for the half-year ended on that date; and

ii. complying with Australian Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and

b) other mandatory professional reporting requirements in Australia.



KPMG



B P Steedman
Partner

Perth 9 March 2005