

Norwest Energy NL

Interim Financial Report

Half-Year Ended 31 December 2007

CONTENTS

Financial Report For the Half-Year Ended 31 December 2007

Directors' Report	1
Auditors Independence Declaration	3
Directors' Declaration	4
Consolidated Interim Income Statement	5
Consolidated Interim Statement of Recognised Income & Expense	6
Consolidated Interim Balance Sheet	7
Consolidated Interim Statement of Cash Flows	8
Notes to the Consolidated Interim Financial Statements	9
Independent Review Report	15

Norwest Energy NL

Half-Year Ended 31 December 2007

Directors' Report
31 December 2007

The directors present their report together with the consolidated financial report of Norwest Energy NL ("Norwest" or "the Company") and its controlled entities ("the Group") for the financial half-year ended 31 December 2007 and the review report thereon.

1. General information

a Directors

The names of the directors in office at any time during, or since the end of, the half-year are:

Name	Period of directorship
Mr William Frederick Bloking (Chairman)	Appointed 6 March 2007
Mr Henry David Kennedy (Non-Executive Director)	Appointed 14 April 1997
Mr Peter Lawson Munachen (Finance Director)	Appointed 26 November 2003
Mr Jonathan Arnold Salomon (Chief Executive Officer)	Appointed 18 October 2004 Resigned 19 December 2007
Mr Andrejs (Andrew) Karlis Svalbe (Non-Executive Director)	Appointed 17 February 2004 Resigned 20 December 2007

b Principal Activities

The principal activities of the Group during the financial half-year were:

- exploration for hydrocarbon resources.

There have been no significant changes in the nature of the Group's principal activities during the financial half-year.

2. Review of Operations

a Operating Results

The interim consolidated loss of the Group after providing for income tax amounted to \$824,177 (31 December 2006: \$1,918,972)

3. Other items

a Significant Changes in State of Affairs

No significant changes in the Group's state of affairs occurred during the half-year.

b After balance day events

Norwest has farmed into Block 11/29 in the North Sea. Norwest's commitment for a well, which commenced in February 2008, is \$1.35 million AUD. No further matters or circumstances have arisen since the end of the financial half-year which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

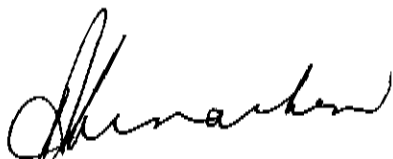
Norwest Energy NL

Half-Year Ended 31 December 2007

c Lead Auditor's Independence Declaration under section 307C of the Corporations Act 2001

The lead auditor's independence declaration for the half-year ended 31 December 2007 is set out on page 5 and forms part of the Directors Report.

Signed in accordance with a resolution of the Directors.



.....
Peter Lawson Munachen
Director

Perth
27 February, 2008



Lead Auditor's Independence Declaration under Section 307C of the Corporations 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 2007 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.

K P M G

KPMG

B P Steedman

B P Steedman

Partner

Perth

Dated: 27 FEBRUARY, 2008

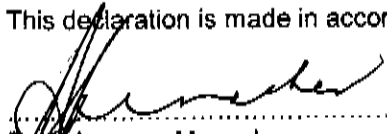
Norwest Energy NL

Directors' Declaration

In the opinion of the directors of Norwest Energy NL (the Company):

1. the financial statements and notes, as set out on pages 9 to 14, are in accordance with the Corporations Act 2001 including:
 - (a) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
 - (b) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2007 and of its performance for the six month period ended on that date; and
2. 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.

This declaration is made in accordance with a resolution of the Board of Directors.


.....
Peter Lawson Munachen
Director

Perth
27 February, 2008

Norwest Energy NL

Consolidated Interim Income Statement For the Half-Year Ended 31 December 2007

	31 December 2007 \$	31 December 2006 \$
Revenue		
Sales of oil & gas	322,022	459,362
Depletion expense	(130,949)	(37,356)
Operating costs	(93,753)	(91,664)
Gross Profit	<u>97,320</u>	<u>330,342</u>
Royalty Income	939,778	-
Amortisation expense	(9,044)	-
Other Income	132,491	1,267,415
Exploration expenditure written off	(670,816)	(2,598,065)
Depreciation expense	(26,383)	(16,654)
Director's remuneration	(537,716)	(349,119)
Personnel expenses	(300,111)	(182,221)
Administrative expenses	(381,944)	(301,231)
Other expenses	(186,957)	(201,436)
Results from operating activities	<u>(943,382)</u>	<u>(2,050,969)</u>
Financing income	119,205	131,997
Total financing income	<u>119,205</u>	<u>131,997</u>
Loss before income tax expense	<u>(824,177)</u>	<u>(1,918,972)</u>
Income tax expense	-	-
Loss for the period	<u>(824,177)</u>	<u>(1,918,972)</u>
Basic earnings per share (cents per share)	(0.41)	(1.01)
Diluted earnings per share (cents per share)	(0.41)	(1.01)

The income statement is to be read in conjunction with the notes to the interim financial statements set out on pages 9 to 14.

Norwest Energy NL

Consolidated Interim Statement of Recognised Income & Expense For the Half-Year Ended 31 December 2007

	31 Dec 2007	31 Dec 2006
Loss for the period	(824,177)	(1,918,972)
Total recognised income and expense for the period	<u>(824,177)</u>	<u>(1,918,972)</u>
Attributable to:		
Equity holders of the parent	<u>(824,177)</u>	<u>(1,918,972)</u>
Total recognised income and expense for the period	<u>(824,177)</u>	<u>(1,918,972)</u>

Other movements in equity arising from transactions with owners as owners are set out in note 6.

The statement of recognised income and expense is to be read in conjunction with the notes to the interim financial statements set out on pages 9 to 14.

Norwest Energy NL

Consolidated Interim Balance Sheet As at 31 December 2007

	Note	31 December 2007 \$	30 June 2007 \$
ASSETS			
Current assets			
Cash and cash equivalents		5,459,737	8,004,937
Trade and other receivables		606,008	131,926
Total current assets		6,065,745	8,136,863
Non-current assets			
Trade and other receivables		41,529	30,276
Property, plant and equipment		73,539	96,398
Deferred exploration, evaluation and development costs		4,777,411	2,870,237
Total non-current assets		4,892,479	2,996,911
TOTAL ASSETS		10,958,224	11,133,774
LIABILITIES			
Current liabilities			
Trade and other payables		174,671	227,546
Employee benefits		229	7,027
Provisions for tax payable		-	24,575
Total current liabilities		174,900	259,148
Non-current liabilities			
Employee benefits		7,514	6,216
Provisions		10,224	10,224
Total non-current liabilities		17,738	16,440
TOTAL LIABILITIES		192,638	275,588
NET ASSETS		10,765,586	10,858,186
EQUITY			
Issued capital	6	29,582,160	29,272,192
Reserves	6	1,416,465	1,083,361
Accumulated losses	6	(20,233,039)	(19,497,367)
TOTAL EQUITY		10,765,586	10,858,186

The balance sheet is to be read in conjunction with the notes to the interim financial statements set out on pages 9 to 14.

Norwest Energy NL

Consolidated Interim Statement of Cash Flows For the Half-Year Ended 31 December 2007

	December 31 2007 \$	December 31 2006 \$
Cash flows from operating activities:		
Cash receipts from customers	769,794	533,325
Cash payments to suppliers and employees	(884,406)	(863,525)
Interest received	119,205	131,997
Payment of US income tax	(24,575)	
Net cash used in operating activities	(19,982)	(198,203)
Cash flows from investing activities:		
Purchase of property, plant & equipment	(3,525)	(6,462)
Expenditure on oil & gas interests	(2,907,227)	(1,450,435)
Proceeds from sale of projects	72,323	1,961,807
Net cash (used in)/from investing activities	(2,838,429)	504,910
Cash flows from financing activities:		
Proceeds from the issue of share capital	309,968	-
Net cash from financing activities	309,968	-
Net (decrease)/increase in cash and cash equivalents	(2,548,443)	306,707
Cash and cash equivalents at 1 July	8,004,937	7,559,001
Effect of exchange rates on cash held	3,243	61
Cash and cash equivalents at 31 December	5,459,737	7,865,769

The statement of cash flows is to be read in conjunction with the notes to the interim financial statements set out on pages 9 to 14.

Norwest Energy NL

Notes to the Consolidated Interim Financial Statements For the Half-Year Ended 31 December 2007

1 Reporting entity

Norwest Energy NL (the "Company") is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 31 December 2007, comprises the Company and its subsidiaries (together referred to as the "consolidated entity").

The consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2007 is available upon request from the companies registered office at 288 Stirling Street Perth, Western Australia 6000.

The consolidated interim financial report was authorised for issue by the directors on 27 February.

2 Statement of Compliance

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134: *Interim Financial Reporting*.

The consolidated interim financial report does not include all of the information required for a full annual financial report and should be read in conjunction with the most recent annual financial report of the consolidated entity as at and for the year ended 30 June 2007. This report must also be read in conjunction with any public announcements made by Norwest Energy NL during the half year in accordance with continuous disclosure obligations arising under the Corporations Act 2001.

3 Significant Accounting policies

The accounting policies applied by the consolidated entity in this consolidated interim financial report are the same as those applied by the consolidated entity in its consolidated financial report as at and for the year ended 30 June 2007.

4 Estimates

The preparation of the interim financial report requires management to make key judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this consolidated interim financial report, the significant judgements made by management in applying the consolidated entity's accounting policies and the key sources of estimation uncertainty were the same as those applied in the consolidated financial report as at and for the year ended 30 June 2007.

Norwest Energy NL

Notes to the Condensed Consolidated Interim Financial Statements For the Half-Year Ended 31 December 2007

5 Segment reporting

Segment information is presented in the consolidated interim financial statements in respect of the consolidated entity's geographical segments, which are the primary basis of segment reporting. The geographical segment reporting format reflects the consolidated entity's management and internal reporting structure.

Inter-segment pricing is determined on an arm's length basis.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

(i) Geographical segments

The segments are managed on a worldwide basis, but operate in two principal geographical areas in 2007, Australia and the UK.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

For the six months ended 31 December 2006 and 2007

	UK		USA		Australia		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006
Segment revenue	-	-	-	-	322,022	459,362	322,022	459,362
Other segment income	-	-	-	1,961,807	1,025,691	37,622	1,025,691	1,999,429
Segment result	(538,880)	-	-	(110,877)	17,443	(906,337)	(521,437)	(1,017,214)
Unallocated expenses							(421,945)	(1,033,755)
Results from operating activities							(943,382)	(2,050,969)

Norwest Energy NL

Notes to the Condensed Consolidated Interim Financial Statements For the Half-Year Ended 31 December 2007

6 Capital and reserves

Reconciliation of movement in capital and reserves Attributable to equity holders of the parent

Consolidated	Share capital	Retained earnings	Reserves	Total equity
	\$	\$	\$	\$
Balance at 1 July 2006	28,852,152	(16,391,910)	571,991	13,032,233
Total recognised income and expense	-	(1,918,972)	-	(1,918,972)
Equity-settled transactions net of tax	-	-	244,499	244,499
Balance at 31 December 2006	<u>28,852,152</u>	<u>(18,310,882)</u>	<u>816,490</u>	<u>11,357,760</u>
Balance at 1 July 2007	29,272,192	(19,497,367)	1,083,361	10,858,186
Total recognised income and expense	-	(824,177)	-	(824,177)
Equity-settled transactions net of tax	-	-	421,609	421,609
Shares issued (net of costs)	309,968	-	-	309,968
Share options exercised	-	46,852	(46,852)	-
Share options expired	-	41,653	(41,653)	-
Balance at 31 December 2007	<u>29,582,160</u>	<u>(20,233,039)</u>	<u>1,416,465</u>	<u>10,765,586</u>

Share capital

	Ordinary shares	
	31 Dec 2007 No.	31 Dec 2006 No.
Opening shares on issue at beginning of half year	202,217,038	199,854,538
Issued for cash (i)	1,650,000	-
Closing shares on issue – fully paid	<u>203,867,038</u>	<u>199,854,538</u>

- i) 300,000 shares were issued at \$0.15 each
1,350,000 shares were issued at \$0.20 each

Norwest Energy NL

Notes to the Condensed Consolidated Interim Financial Statements For the Half-Year Ended 31 December 2007

6 Capital and reserves (continued)

Share Options

Director and Employee Incentive Scheme

During the half year ended 31 December 2007, 3,000,000 options were issued over ordinary shares to a director, 1,000,000 exercisable at \$0.225, 1,000,000 exercisable at \$0.275 and 1,000,000 exercisable at \$0.325 and with an issue term of 5 years. At the date of this report unissued ordinary shares of the Company under option are:

	31 December 2007 No.	31 December 2006 No.
Balance at beginning of the half-year	23,525,000	16,937,500
Granted during the period	3,000,000	7,200,000
Exercised during the period	(1,650,000)	-
Lapsed during the period	(1,900,000)	-
Balance at end of the half-year	22,975,000	24,137,500

7 Share-based payments

The consolidated entity has a share option programme that entitles key management personnel and senior employees to purchase shares in the entity. The terms and conditions of the share option programme and grants made during the half year ended 31 December 2007 are disclosed in the most recent annual financial report. In November 2007 a further grant on similar terms have been made to key management personnel.

All options exercised are settled by physical delivery of shares. The terms and conditions of the grants made during the six months ended 31 December 2007 are as follows:

Grant date / employees entitled	Number of Instruments	Vesting conditions	Contractual life of options	Exercise price \$
Option grant to director on 29 November 2007	1,000,000	50% exercisable 6 months after the date of grant ; 50% exercisable 12 months after the date of grant	5 years	\$0.225
Option grant to director on 29 November 2007	1,000,000	50% exercisable 6 months after the date of grant ; 50% exercisable 12 months after the date of grant	5 years	\$0.275
Option grant to director on 29 November 2007	1,000,000	50% exercisable 6 months after the date of grant ; 50% exercisable 12 months after the date of grant	5 years	\$0.325

The fair values of services received in return for share options granted to directors and employees is measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on the Black Scholes formula. The contractual life of the option is used as an input into this formula.

For the six months ended 31 December 2007

	2007	2006
Fair value at grant date	\$0.14-\$0.15	\$0.094
Share price	\$0.20	\$0.118
Exercise price	\$0.225-\$0.325	\$0.15
Expected volatility (expressed as annualised weighted average)	97.60%	113%
Option life (expressed as weighted average life used in the modelling under the Black Scholes formula)	5 years	5 years
Expected dividends	-	-
Risk-free interest rate (based on national government bonds)	6.17%	5.91%

The expected volatility is based on the historic annualised volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to publicly available information.

Share options are granted to directors and key personnel upon receiving shareholders approval. There are no market conditions associated with the share option grants.

For the half year ended 31 December 2007, the consolidated entity recognised a share based payment expense of \$421,609, which reflects the expense relating to new options issued together with the vesting of previously issued options.

8 Related Party Transactions

Arrangements with director controlled parties continue to be in place at 31 December 2007. Two of the directors hold positions in another entity that result in them having control or significant influence over the financial or operating policies of that entity. The terms and conditions of the transactions with the directors and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transaction to non-director related entities on an arm's length basis.

Key management personnel	Transaction value (6 months)		Balance Outstanding	
	31 December 2007	31 December 2006	31 December 2007	30 June 2007
Company controlled by director Corralline PL (PL Munachen) <i>Finance director fees</i>	20,000	24,000	-	-
Company controlled by director Rockfield Group Ltd (HD Kennedy) <i>Director fees</i>	21,250	17,500	-	-
Company controlled by directors Resource Services International (Aust) PL (PL Munachen and EA Myers) <i>Accounting and administration</i>	114,600	94,368	-	24,322

The company continued to use the services of Resource Services International (Aust) PL, of which Messrs Munachen and Myers are directors, in relation to the provision of accounting and administration services. Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms. All outstanding balances with related parties are settled in cash within 1 month of balance sheet date. The balances owing to the related parties are unsecured.

9 Commitments

No unusually large exploration expenditures are foreseen for the first half of 2008, except for the North Sea blocks 481b-2c, which is an estimated figure of \$2.2 million. The UK operator, Encore Oil PLC, has forecast that the 'Cobra' well will be spudded in February 2008. Norwest Energy NL holds a 22.5% interest in the project.

10 Subsequent Events

Norwest has farmed into Block 11/29 in the North Sea. Norwest's commitment for a well, which commenced in February 2008, is \$1.3 million AUD. No further matters or circumstances have arisen since the end of the financial half-year which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.



Independent auditor's review report to the members of Norwest Energy NL

Report on the financial report

We have reviewed the accompanying half-year financial report of Norwest Energy NL, which comprises the consolidated interim balance sheet as at 31 December 2007, income statement, statement of recognised income and expense and cash flow statement for the half-year ended on that date, a description of accounting policies and other explanatory notes 1 to 11 and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2007 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Norwest Energy NL, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Norwest Energy NL is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001.

KPMG

B P Steedman
Partner

Perth
Dated: 27 February 2008