



Norwest Energy NL
Interim Financial Report
Half-Year Ended 31 December 2013

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Directors' Report 31 December 2013

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 2013 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 Michael John Fry (Chairman)	Appointed 8 June 2009 and became Chairman 18 September 2009
Mr Peter Lawson Munachen (Chief Executive Officer)	Appointed 26 November 2003 and became CEO 3 December 2008
Mr Henry David Kennedy (Non-Executive Director)	Appointed 14 April 1997

b Principal Activities

The principal activity of the consolidated entity during the course of the half-year was exploration for hydrocarbon resources. Norwest is operator of the EP 413 joint venture and is also the operator of the PEDL 238, PEDL 239 and P1928 joint ventures in the UK.

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

2. Review of Operations

Operating Results

The Interim consolidated loss of the Group after providing for income tax amounted to \$1,702,571 (31 December 2012: \$1,748,816).

The main activities and highlights for the Group during the half-year comprised:

Operations

Australia

- **EP 413** During the period since 30 June 2013 Norwest continued with the evaluation of Arrowsmith-2 as well as preparations for the workover and final flowback evaluation phase of the well. In addition, regulatory approvals for the 3D seismic programme continued during the Half-Year.
- **SPA** Native title negotiations advanced during the period with a formal agreement expected early 2014.
- **TP/15** A detailed farmin package was prepared, with the Company actively seeking a partner to join it in the exploration programme for this block.

UK

- **P 1928** The 2D seismic survey conducted to improve the structural knowledge on the near-shore Steelhead and Beluga prospects was completed during the Half-Year. A strategic decision was then made to relinquish the licence prior to its expiry so that it could be included in the next bid round where the Company could bid for a two year licence to progress evaluation, select a drill target and find a farminee.

Corporate

- Issue of 128,793,333 shares at \$0.03 by way of a share purchase plan to raise \$3,863,800.
- Issue of 5,000,000 unlisted options during the Half-Year.

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 Subsequent Events

- **5 March 2014** Field activities at the Arrowsmith-2 well, comprising the 14 day well test and production logging programme were concluded.
- **6 February 2014** The findings of an independent technical assessment for AWE Limited's permits supports the independent resource evaluation of EP 413 released by Norwest to the ASX on 11 June 2013.
- **21 January 2014** 3,500,000 Employee Incentive Scheme (EIS) options with an exercise price of \$0.053 issued in 2009 pursuant to an EIS scheme approved by shareholders, expired.
- **9 January 2014** Following detailed discussions with Joint Venture partner Wessex Exploration Plc and the UK Department of Energy and Climate change, a strategic decision was made to relinquish Promote Licence P 1928 (Bournemouth Bay) prior to the drill or drop deadline so that the Company could bid for the licence in the next bid round.

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 2013 is set out on page 5 and forms part of the Directors Report for the six months ended 31 December 2013.

Signed in accordance with a resolution of the Directors.



.....
Peter Lawson Munachen
Director

Perth
13 March, 2014

ROTHSAY

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

Dear Sirs

In accordance with Section 307C of the Corporations Act 2001 (the "Act") I hereby declare that to the best of my knowledge and belief there have been:

- i) no contraventions of the auditor independence requirements of the Act in relation to the audit of the 31 December 2013 interim financial statements; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.



Graham Swan (Lead auditor)

Rothsay Chartered Accountants

Dated *13 March 2014*



Chartered Accountants

Directors' Declaration

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

1. the financial statements and notes, 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 2013 and of its performance for the six month period ended on that date; and
2. 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
13 March 2014

**Consolidated Interim Statement of Comprehensive Income
For the Half-Year Ended 31 December 2013**

	31 December 2013	31 December 2012
	\$	\$
Continuing Operations		
Revenue	-	188,969
Depletion expense	-	(28,531)
Operating costs	(43,031)	(157,594)
Gross Profit/(Loss)	(43,031)	2,844
Other income/recharges	110,329	244,492
Exploration expenditure & write down	(535,999)	(69,392)
Depreciation expense	(9,340)	(8,747)
Director's remuneration	(277,000)	(289,000)
Personnel expenses	(344,086)	(246,650)
Personnel & overhead recovery	118,039	138,174
Administrative expenses	(164,100)	(156,000)
Professional fees	(121,957)	(156,262)
Other expenses	(425,221)	(578,127)
Results from Operating Activities	(1,692,366)	(1,118,668)
Financing income	34,605	71,547
Financing expense	(85,000)	(704,000)
Total Financing Activities	(50,395)	(632,453)
Profit/(Loss) before Income Tax Expense	(1,742,761)	(1,751,121)
Income Tax Expense	-	-
Profit/(Loss) for the Period	(1,742,761)	(1,751,121)
Other Comprehensive Income/(Loss)		
Foreign currency translation differences for foreign operations	38,856	1,305
Net change in fair value of available-for-sale financial assets transferred to profit or loss	1,334	1,000
Income tax relating to items of other comprehensive income/(loss)	-	-
Other Comprehensive Income/(Loss) for the Period, Net of Income Tax	40,190	2,305
Total Comprehensive Income/(Loss) for the Period	(1,702,571)	(1,748,816)
Basic loss per share (cents per share)	(0.20)	(0.20)
Diluted loss per share (cents per share)	(0.20)	(0.20)

The Consolidated Interim Statement of Comprehensive Income is to be read in conjunction with the notes to the interim financial statements set out on pages 11 to 16.

**Consolidated Interim Statement of Changes in Equity
For the Half-Year Ended 31 December 2013**

Consolidated	Share Capital \$	Retained Earnings \$	Option Reserve \$	Total Equity \$
Balance at 1 July 2012	44,870,362	(40,227,480)	537,897	5,180,779
Profit or loss	-	(1,751,121)	-	(1,751,121)
Other comprehensive income/(loss)	-	2,305	-	2,305
Equity-settled transactions net of tax	-	-	-	-
Shares issued (net of costs)	4,846,666	-	-	4,846,666
Option movements	-	-	704,000	704,000
Balance at 31 December 2012	49,717,028	(41,976,296)	1,241,897	8,982,629
Balance at 1 July 2013	49,717,027	(46,826,556)	2,032,797	4,923,268
Profit or loss	-	(1,742,761)	-	(1,742,761)
Other comprehensive income/(loss)	-	40,190	-	40,190
Equity-settled transactions net of tax	-	-	-	-
Shares issued (net of costs)	3,765,830	-	-	3,765,830
Option movements	-	-	85,000	85,000
Balance at 31 December 2013	53,482,857	(48,529,127)	2,117,797	7,071,527

The Consolidated Interim Statement of Changes in Equity is to be read in conjunction with the notes to the interim financial statements set out on pages 11 to 16.

**Consolidated Interim Statement of Financial Position
As at 31 December 2013**

	Note	31 December 2013 \$	30 June 2013 \$
ASSETS			
Current assets			
Cash and cash equivalents		4,058,508	2,610,682
Trade and other receivables		211,969	177,735
Total current assets		<u>4,270,477</u>	<u>2,788,417</u>
Non-current assets			
Trade and other receivables		61,461	61,461
Property, plant and equipment		20,887	27,288
Financial assets		6,333	4,999
Deferred exploration, evaluation and development	3	3,526,126	2,926,613
Total non-current assets		<u>3,614,807</u>	<u>3,020,361</u>
TOTAL ASSETS		<u>7,885,284</u>	<u>5,808,778</u>
LIABILITIES			
Current liabilities			
Trade and other payables		410,977	470,360
Provisions		19,822	18,186
Total current liabilities		<u>430,799</u>	<u>488,546</u>
Non-current liabilities			
Provisions		382,958	396,964
Total non-current liabilities		<u>382,958</u>	<u>396,964</u>
TOTAL LIABILITIES		<u>813,757</u>	<u>885,510</u>
NET ASSETS		<u>7,071,527</u>	<u>4,923,268</u>
EQUITY			
Issued capital		53,482,857	49,717,027
Reserves		2,117,797	2,032,797
Accumulated losses		(48,529,127)	(46,826,556)
TOTAL EQUITY		<u>7,071,527</u>	<u>4,923,268</u>

The Consolidated Interim Statement of Financial Position is to be read in conjunction with the notes to the interim financial statements set out on pages 11 to 16.

**Consolidated Interim Statement of Cash Flows
For the Half-Year Ended 31 December 2013**

	31 December 2013	31 December 2012
	\$	\$
Cash flows from operating activities:		
Cash receipts from customers	-	173,694
Cash payments to suppliers and employees	(1,165,630)	(1,295,813)
Interest received	34,605	71,545
Other	259,472	457,606
Net cash used in operating activities	(871,553)	(592,968)
Cash flows from investing activities:		
Purchase of property, plant & equipment	(5,490)	(4,060)
Expenditure on oil & gas interests	(1,539,411)	(2,454,685)
Proceeds from sale of projects	-	-
Net cash used in investing activities	(1,544,901)	(2,458,745)
Cash flows from financing activities:		
Proceeds from the issue of share capital	3,765,830	4,828,401
Net cash from financing activities	3,765,830	4,828,401
Net (decrease)/increase in cash and cash equivalents	1,349,376	1,776,688
Cash and cash equivalents at 1 July	2,672,143	2,436,560
Effect of exchange rates on cash held	36,989	1,080
Cash and cash equivalents at 31 December	4,058,508	4,214,328

The Consolidated Interim Statement of Cash Flows is to be read in conjunction with the notes to the interim financial statements set out on pages 11 to 16.

Notes to the Consolidated Interim Financial Statements For the Half-Year Ended 31 December 2013

1. Basis of Preparation of Half-Year Financial Statements

This general purpose financial report for the Half-Year ended 31 December 2013 has been prepared in accordance with the Corporations Act 2001 and Accounting Standard AASB 134: Interim Financial Reporting. This Half-Year Report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the Annual Report for the year ended 30 June 2013 and public announcements made by Norwest Energy NL during the Half-Year in accordance with any continuous disclosure obligations arising under the Corporations Act, 2001.

The accounting policies have been consistently applied to all the periods presented, unless otherwise stated.

Principles of Consolidation

The consolidated financial statements are those of the consolidated entity, comprising Norwest Energy NL and the companies it controlled from time to time during the half-year and at balance date.

Information from the financial statements of subsidiaries is included from the date the parent company obtains control until such time as control ceases. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for that part of the reporting period during which the company had control. All intercompany balances and transactions, including unrealised profits arising from intra group transactions, have been eliminated in full.

Cash

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Taxation

The Company has not brought to account the estimated future income tax benefits attributable to tax losses and temporary differences as a deferred tax asset, as it is not yet considered probable that future taxable profit will be available for utilisation.

Impairment of Assets

The recoverable amount of an asset is determined as the higher of net selling price and value in use. Plant and equipment is carried at cost less accumulated depreciation and any accumulated impairment losses (the cost method). The fair value of plant and equipment, as determined by reference to observable prices, is not materially different to the carrying amount.

Capitalisation of Exploration and Evaluation Costs

The Company complies with AASB 6 *Exploration for and Evaluation of Mineral Resources*. Costs arising from exploration and evaluation activities are carried forward provided such costs are expected to be recouped through successful development, or by sale, or where exploration and evaluation activities have not, at reporting date, reached a stage to allow reasonable assessment regarding the existence of economically recoverable reserves.

Costs carried forward in respect of an area that is abandoned are written off in the year which the decision to abandon is made.

Notes to the Financial Statements For the Half-Year ended 31 December 2013

1. Basis of Preparation of Half-Year Financial Statements Continued

Significant Accounting Policies & Changes in 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 2013.

In the half-year ended 31 December 2013, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2013.

It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2013. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

2 Segment Reporting

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

3 Deferred exploration, evaluation and development costs

	31 December 2013 \$	31 December 2012 \$
Transactions for the six months to 31 December		
<i>Exploration and evaluation phase:</i>		
Balance at 1 July	2,926,613	2,920,816
Addition of exploration interests	-	-
Capitalised expenditure during the period	1,131,860	1,906,945
Write off	(517,347)	-
Recoveries	(15,000)	(15,000)
Balance at 31 December	<u>3,526,126</u>	<u>4,812,761</u>
<i>Production phase:</i>		
Balance at 1 July	-	-
Capitalised expenditure during the period	61,683	255,517
Write back of operating expenses capitalised	(43,031)	(157,594)
Write off	(18,652)	(69,392)
Depletion expense	-	(28,531)
Balance at 31 December	<u>-</u>	<u>-</u>
Total	<u>3,526,126</u>	<u>4,812,761</u>

**Notes to the Consolidated Interim Financial Statements
For the Half-Year Ended 31 December 2013**

4 Capital and reserves

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

Consolidated	Share Capital	Retained Earnings	Option Reserve	Total Equity
	\$	\$	\$	\$
Balance at 1 July 2012	44,870,362	(40,227,480)	537,897	5,180,779
Profit or loss	-	(1,751,121)	-	(1,751,121)
Other comprehensive income/(loss)	-	2,305	-	2,305
Equity-settled transactions net of tax	-	-	-	-
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Profit or loss	-	(1,742,761)	-	(1,742,761)
Other comprehensive income/(loss)	-	40,190	-	40,190
Equity-settled transactions net of tax	-	-	-	-
Shares issued (net of costs)	3,765,830	-	-	3,765,830
Option movements	-	-	85,000	85,000
Balance at 31 December 2013	53,482,857	(48,529,127)	2,117,797	7,071,527

Share capital

	Ordinary Shares	
	31 Dec 2013	31 Dec 2012
	No.	No.
Opening shares on issue at beginning of half-year	974,347,449	874,347,449
Issued (i) 2012	-	100,000,000
Issued (ii) 2013	128,793,333	-
Closing shares on issue – fully paid	1,103,140,782	974,347,449

- i) 100,000,000 at \$0.05
- ii) 128,793,333 at \$0.03

**Notes to the Consolidated Interim Financial Statements
For the Half-Year Ended 31 December 2013**

4 Capital and reserves continued

Options - Unlisted

During the half-year ended 31 December 2013,
5,000,000 unlisted options were issued to Employees.

	Unlisted Options	
	31 Dec 2013	31 Dec 2012
	No.	No.
Balance at beginning of the half-year	51,150,000	17,181,390
Granted during the period to Directors	-	16,000,000
Granted during the period to Employees	5,000,000	-
Exercised during the period	-	-
Lapsed during the period	-	-
Balance at end of the half-year	56,150,000	33,181,390

5 Share-based payments

During the half-year ended 31 December 2013, no shares were issued upon exercise of unlisted options.

All options exercised are settled by physical delivery of shares.

The terms and conditions of the unlisted share options issued during the six months ended 31 December 2013 are as follows:

Grant date / to entitled	Number of Instrument	Vesting conditions	Contractual life of options	Exercise price \$
Options granted to Employees	5,000,000	Immediate	Exp 28 Nov 16	\$0.1155

The fair value received in return for share options issued is measured by reference to the fair value of share options issued. The estimated 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.

**Notes to the Consolidated Interim Financial Statements
For the Half-Year Ended 31 December 2013**

5 Share-based payments continued

For the six months ended 31 December 2013

	2013	2012
Fair value at issue date	\$0.017	\$0.044
Share price	\$0.038	\$0.077
Exercise price	\$0.1155	\$0.1155
Expected volatility	90.00%	90.00%
Option life	36 months	48 months
Expected dividends	-	-
Risk-free interest rate	2.85%	2.80%

Unlisted share options are granted to Directors, key personnel, consultants and suppliers upon receiving shareholder approval subject to the Corporations Regulations 2001. There are no market conditions associated with the share option grants.

6 Related party transactions

Arrangements with Director controlled entities continue to be in place at 31 December 2013. Two of the Company's Officers hold positions in another entity that results in them having control or significant influence over the financial and/or operating policies of these entities. The terms and conditions of these transactions with the related parties were no more favorable than those available, or which might reasonably be expected to be available, on similar transactions to non-Director related entities on an arm's length basis.

Key management personnel	Transaction value (6 months) \$AUD		Balance outstanding \$AUD	
	31 December 2013	31 December 2012	31 December 2013	30 June 2013
Company controlled by director U5 P/L (MJ Fry) <i>Director fees</i>	30,000	30,000	15,000	15,000
Company controlled by director Corraline P/L (PL Munachen) <i>Chief Executive Officer fees</i>	198,000	210,000	33,000	30,000
Company controlled by director Resource Services International Limited (HD Kennedy) <i>Director fees</i>	25,000	25,000	8,333	8,333
Company controlled by director and secretary Resource Services International (Aust) P/L (PL Munachen and EA Myers) <i>Administration, corporate, accounting & secretarial fees</i>	164,100	156,000	-	-

Notes to the Consolidated Interim Financial Statements For the Half-Year Ended 31 December 2013

6 Related party transactions continued

The company continued to use the services of Resources Services International (Aust) Pty Ltd, of which Messrs Munachen and Myers are directors, in relation to the provision of corporate, secretarial, 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 were settled in cash within one month of statement of financial position date. The balances owing to the related parties are unsecured.

7 Commitments

In order to maintain current rights of tenure to exploration permits, the consolidated entity is required to perform minimum exploration work to meet the minimum expenditure requirements specified by various governments. These obligations are subject to renegotiation when application is made and at other times. These obligations are not provided for in the financial report and are payable.

Within one year	4,504,755
One year or later and no later than five years	16,215,280
Later than five years	-
Total	20,720,035

8 Subsequent Events

- **5 March 2014** Field activities at the Arrowsmith-2 well, comprising the 14 day well test and production logging programme were concluded.
- **6 February 2014** The findings of an independent technical assessment for AWE Limited's permits supports the independent resource evaluation of EP 413 released by Norwest to the ASX on 11 June 2013.
- **21 January 2014** 3,500,000 Employee Incentive Scheme (EIS) options with an exercise price of \$0.053 issued in 2009 pursuant to an EIS scheme approved by shareholders, expired.
- **9 January 2014** Following detailed discussions with Joint Venture partner Wessex Exploration Plc and the UK Department of Energy and Climate change, a strategic decision was made to relinquish Promote Licence P 1928 (Bournemouth Bay) prior to the drill or drop deadline so that the Company could bid for the licence in the next bid round.

No matters or circumstances have arisen other than the above, since the end of the Half-Year which significantly affected or may significantly affect the operations of the Consolidated Entity, the results of the Consolidated Entity, or the state of affairs of the Consolidated Entity as reported to the Half-Year ended 31 December 2013.



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Independent Review Report to the Members of Norwest Energy NL

The financial report and directors' responsibility

The interim consolidated financial report comprises the statement of financial position, statement of comprehensive income, statement of changes in equity, cashflow statement, accompanying notes to the financial statements, and the directors' declaration for Norwest Energy NL for the half-year ended 31 December 2013.

The Company's directors are responsible for the preparation and fair presentation of the consolidated financial report in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

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 interim consolidated financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated financial position as at 31 December 2013 and the 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 an interim 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.

Independence

In conducting our review we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

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

- giving a true and fair view of the consolidated financial position as at 31 December 2013 and of the performance for the half-year ended on that date; and
- complying with Australian Accounting Standard AASB134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Rothsay

Graham R Swan
Partner

Dated 13 March 2014



Chartered Accountants