Norwest Energy NL

Interim Financial Report

Half Year Ended 31 December 2008

CONTENTS

Interim Financial Report
For the Half-Year Ended 31 December 2008

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 2008 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 (Chief Executive Officer)	Appointed 26 November 2003 and became Chief Executive Officer on 3 December 2008

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

Operating Results

The interim consolidated loss of the Group after providing for income tax amounted to $10,323,490 (31 December 2007: $824,177).

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

A heads of agreement between Westranch Holdings Ltd, (Norwest's wholly owned subsidiary) and Empire Oil Company (WA), (a wholly owned subsidiary of Empire Oil & Gas NL) was signed in February 2009, for an equity swap in Norwest's share in EP 368 and Empire's 426 resulting in Norwest holding a 20% interest in each permit. The agreement is subject to approval by the Western Australian Department of Mines and Petroleum. Westranch was assigned 100% interest in EP 368 by co-venturers prior to the Empire agreement which is still subject to approval by the Western Australia Department of Mines and Petroleum.

In January 2009, the Company issued 3,500,000 options to subscribe for ordinary shares at an exercise price of $0.053 per share pursuant to the Employee Incentive Scheme approved by shareholders. The options expire on 21 January 2014.

Subsequent to report date, the Group had fully drawn its finance faciltity to $2,400,000.

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 2008 is set out on page 5 and forms part of the Directors Report for the six months ended 31 December 2008.

Signed in accordance with a resolution of the Directors.

....
Peter Lawson Munachen
Director

Perth
16 March, 2009

KPMG

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 2008 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.

KPMG

KPMG

B C Fullarton
Partner

Perth

16 March 2009

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 7 to 17, 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 2008 and of its performance for the six month period ended on that date; and

2. for the reasons set out in note 3, 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
16 March, 2009

Consolidated Interim Income Statement
For the Half-Year Ended 31 December 2008

	31 December 2008 $	31 December 2007 $
Revenue	832,147	1,261,800
Depletion expense	(39,046)	(130,949)
Operating costs	(59,570)	(93,753)
Gross Profit	**733,531**	**97,320**
Other Income	91,596	132,491
Amortisation expense	(13,661)	(9,044)
Exploration expenditure written off	(9,258,261)	(670,816)
Depreciation expense	(18,431)	(26,383)
Director's remuneration	(114,871)	(512,716)
Personnel expenses	(433,729)	(325,111)
Administrative expenses	(138,000)	(114,600)
Professional fees	(416,252)	(122,275)
Other expenses	(436,082)	(332,026)
Provisions	(26,667)	-
Results from operating activities	**(10,030,827)**	**(943,382)**
Financing income	8,133	119,205
Financing expense	(300,796)	-
Total financing income	**(292,663)**	**119,205**
Loss before income tax expense	**(10,323,490)**	**(824,177)**
Income tax expense	-	-
Loss for the period	**(10,323,490)**	**(824,177)**
Basic loss per share (cents per share)	(4.75)	(0.41)
Diluted loss per share (cents per share)	(4.75)	(0.41)

The income statement is to be read in conjunction with the notes to the interim financial statements set out on pages 11 to 17.

Consolidated Interim Statement of Recognised Income & Expense
For the Half-Year Ended 31 December 2008

	31 December 2008 $	31 December 2007 $
Loss for the period	(10,323,490)	(824,177)
Total recognised income and expense for the period	**(10,323,490)**	**(824,177)**
Attributable to:		
Equity holders of the parent	(10,323,490)	(824,177)
Total recognised income and expense for the period	**(10,323,490)**	**(824,177)**

Other movements in equity arising from transactions with owners as owners are set out in note 10.

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 11 to 17.

Consolidated Interim Balance Sheet
As at 31 December 2008

	Note	31 December 2008 $	30 June 2008 $
ASSETS			
Current assets			
Cash and cash equivalents		801,565	1,607,148
Trade and other receivables		172,340	439,072
Total current assets		**973,905**	**2,046,220**
Non current assets			
Trade and other receivables		20,301	20,198
Property, plant and equipment		45,609	55,818
Financial assets		11,667	38,333
Deferred exploration, evaluation and development	8	3,390,492	10,848,706
Total non current assets		**3,468,069**	**10,963,055**
TOTAL ASSETS		**4,441,974**	**13,009,275**
LIABILITIES			
Current liabilities			
Trade and other payables		344,095	2,277,451
Employee benefits		6,173	13,008
Borrowings	9	1,785,513	-
Total current liabilities		**2,135,781**	**2,290,459**
Non current liabilities			
Employee benefits		3,900	-
Provisions		30,814	30,814
Total non current liabilities		**34,714**	**30,814**
TOTAL LIABILITIES		**2,170,495**	**2,321,273**
NET ASSETS		**2,271,479**	**10,688,002**
EQUITY			
Issued capital	10	31,324,932	29,743,407
Reserves		1,711,234	1,774,332
Accumulated losses		(30,764,687)	(20,829,737)
TOTAL EQUITY		**2,271,479**	**10,688,002**

The balance sheet is to be read in conjunction with the notes to the interim financial statements set out on pages 11 to 17.

Consolidated Interim Statement of Cash Flows
For the Half-Year Ended 31 December 2008

	31 December 2008 $	31 December 2007 $
Cash flows from operating activities:		
Cash receipts from customers	1,222,175	769,794
Cash payments to suppliers and employees	(1,213,780)	(884,406)
Interest received	8,133	119,205
Payment of US income tax	-	(24,575)
Borrowing costs	(189,840)	-
Net cash used in operating activities	**(173,312)**	**(19,982)**
Cash flows from investing activities:		
Purchase of property, plant & equipment	(8,222)	(3,525)
Expenditure on oil & gas interests	(4,290,312)	(2,907,227)
Proceeds from sale of projects	26,667	72,323
Net cash used in investing activities	**(4,271,867)**	**(2,838,429)**
Cash flows from financing activities:		
Proceeds from the issue of share capital	1,581,525	309,968
Proceeds from borrowings	2,000,000	-
Net cash from financing activities	**3,581,525**	**309,968**
Net (decrease)/increase in cash and cash	(863,654)	(2,548,443)
Cash and cash equivalents at 1 July 2008	1,607,148	8,004,937
Effect of exchange rates on cash held	58,071	3,243
Cash and cash equivalents at 31 December 2008	**801,565**	**5,459,737**

The statement of cash flows is to be read in conjunction with the notes to the interim financial statements set out on pages 11 to 17.

Notes to the Consolidated Interim Financial Statements
For the Half-Year Ended 31 December 2008

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 2008, 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 2008 is available upon request from the Company's registered office at 288 Stirling Street Perth, Western Australia 6000.

The consolidated interim financial report was authorised for issue by the directors on 16 March, 2009.

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* and the Corporations Act 2001.

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 2008. 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 Going Concern

As at 31 December 2008 the Group had current assets of $973,905, $801,565 of which is in the form of cash, and current liabilities of $2,135,781, leaving a working capital deficiency of $1,161,876.

Included in current liabilities is a loan, secured over all of the assets of the Group, of $2,000,000 of which $650,000 is repayable by 31 March 2009 and the balance by 31 May 2009. At the date of this report the outstanding debt position was $2,400,000. At 31 January 2009 the Group had current assets of $489,279 and current liabiltiies of $1,951,512, resulting in a working capital deficiency of $1,462,233. The Group's cash position at the date of this report was $358,063.

The Company has already reduced operating costs and continues to look at areas where costs may be reduced further.

Negotiations for the sale of the Group's interest in its Cobra field are currently at an advanced stage and completion is anticipated to occur during April 2009. This asset has been written down to its estimated recoverable amount based on the currently negotiated sales price, which the Group believes is achievable. Whilst the sale of the asset is not anticipated to occur prior 31 March 2009 to enable Norwest to meet the first repayment amount of $650,000,it is however expected that the sale will enable the Group to repay in full, the outstanding loan facility of $2,400,000 by 31 May 2009.

Investec Bank (Australia) Limited ('Investec'), the secured lender has confirmed that if prior to 31 March 2009 the Group is able to reasonably satisfy Investec that it has entered into an agreement to sell its interest in the Cobra Project and that the settlement occurs prior to 31 May 2009, then Investec will extend the time for Norwest to make the first repayment of $650,000 from the current date of 31 March 2009 to the date that is the earlier of the date of settlement of the sale, and the date upon which Norwest raises sufficient money to make this payment of $650,000.

The Company is also planning an equity raising of $250,000 to provide additional working capital, with the potential of future equity raisings subject to listing rules.

The Group also has the option of selling down its interest in one or more of its remaining projects.

The ability of the Group to meets its obligations, particularly the repayment of the secured loan, is dependent upon achieving the planned asset sale in the amount and in the timeframe required and obtaining the forbearance of its secured lenders. The Group has a reasonable expectation that this will eventuate and accordingly have prepared the financial report on a going concern basis. Should these matters not eventuate as expected, the Group may not be able to continue as a going concern and may not be able to realise its assets and extinguish its liabilities in the normal course of business, and at amounts stated in the financial report.

4 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 2008.

5 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 2008.

6 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 2008, 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 2007 and 2008

	UK		Australia		Consolidated	
	2008	2007	2008	2007	2008	2007
Segment revenue	-	-	832,147	322,022	832,147	1,261,800
Other segment income	2,035	-	89,561	1,025,691	91,596	132,491
Segment result	(2,464,133)	(538,880)	(7,206,084)	17,443	(9,670,216)	(521,437)
Unallocated expenses					(360,611)	(421,945)
Results from operating activities					**(10,030,827)**	**(943,382)**

7 Change in classification

Change in classification has been applied retrospectively to 31 December 2007. The comparative financial statements have not been identified as "restated" as the change in classification is limited and does not result in a change to either results or equity. The change in classification had the following impact on the consolidated interim financial report:

Amounts in AUD	31 December 2008 $	31 December 2007 $
Income Statement for the six months to 31 December		
Decrease in Director's remuneration	-	25,000
Increase in personnel Expenses	-	(25,000)
Decrease in administrative expenses	-	267,344
Increase in other expenses	-	(267,344)
Decrease in other expenses	-	122,275
Increase in professional fees	-	(122,275)
Changes in results from operating activities for the six months ended 31 December	-	-

The change had no impact on earnings per share.

8 Deferred exploration, evaluation and development costs

	31 December 2008 $	31 December 2007 $
Transactions for the six months to 31 December		
Exploration and evaluation phase:		
Balance at 1 July	10,411,362	2,366,580
Capitalised expenditure during the period	2,022,880	2,414,965
Exploration expenditure written off	(9,224,574)	(366,502)
Projects sold	-	-
Balance at 31 December	3,209,668	4,415,043
Production phase:		
Balance at 1 July	437,344	503,657
Addition of production interests	192,440	-
Adjustments	(409,914)	11,467
Depletion expense	(39,046)	(139,993)
Balance at 31 December	180,824	375,131
Total	3,390,492	4,790,174

9 Borrowings

Amounts in AUD	31 December 2008 $	31 December 2007 $
Drawings for the six months to 31 December		
Balance outstanding at 1 July	-	-
Drawings :		
September	(750,000)	-
October	(750,000)	-
December	(500,000)	-
Balance outstanding at 31 December	(2,000,000)	-
less transaction costs	214,487	-
Carrying amount at 31 December	(1,785,513)	-

Please see note 11 regarding options issued to Investec bank as part of the loan agreement.

The loan facility is secured over the assets of the Group.

Interest is charged on the outstanding loan balance at BBSY + 2.5% (a floating and fixed component)

Subsequent to report date, the Group had fully drawn its finance faciltity to $2,400,000.

The loan is due and payable in full by 31 May 2009.

Notes to the Consolidated Interim Financial Statements
For the Half-Year Ended 31 December 2008

10 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 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	**29,582,160**	**(20,233,039)**	**1,416,465**	**10,765,586**
Balance at 1 July 2008	29,743,407	(20,829,737)	1,774,332	10,688,002
Total recognised income and expense	-	(10,323,490)	-	(10,323,490)
Equity-settled transactions net of tax	-	-	325,442	325,442
Shares issued (net of costs)	1,581,525	-	-	1,581,525
Share options expired	-	388,540	(388,540)	-
Balance at 31 December 2008	**31,324,932**	**(30,764,687)**	**1,711,234**	**2,271,479**

Share capital

	Ordinary Shares 31 Dec 2008 No.	Ordinary Shares 31 Dec 2007 No.
Opening shares on issue at beginning of half year	205,117,038	202,217,038
Issued for cash (i)	13,000,000	1,650,000
Closing shares on issue – fully paid	**218,117,038**	**203,867,038**

i) 13,000,000 at $0.13 cash

10 Capital and reserves continued

Options

During the half year ended 31 December 2008, nil options were issued to Directors and Employees under the director and employee incentive scheme

	Options	
	31 Dec 2008	**31 Dec 2007**
	No.	**No.**
Balance at beginning of the half-year	19,225,000	23,525,000
Granted during the period to Employees	-	3,000,000
Granted during the period (Investec Bank Ltd.)	7,894,737	-
Exercised during the period	-	(1,650,000)
Lapsed during the period	(6,200,000)	(1,900,000)
Balance at end of the half year	**20,919,737**	**22,975,000**

11 Share-based payments

During the half year ended 31 December 2008 no shares were issued to Directors or Employees.

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 2008 are as follows:

Grant date / to entitled	Number of Instrument	Vesting conditions	Contractual life of options	Exercise price $
Options granted to: Investec Bank Ltd.				
August 2008	7,894,737	vesting immediately	3 years	$0.19

The fair value received in return for share options granted to Invetec Bank Ltd. 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

	2008	2007
Fair value at grant date	$0.04	$0.14-$0.15
Share price	$0.09	$0.20
Exercise price	$0.19	$0.225-$0.325
Expected volatility (expressed as annualised weighted average)	88.52%	97.60%
Option life (expressed as weighted average life used in the modelling under the Black Scholes	3 years	5 years
Expected dividends	-	-
Risk-free interest rate (based on national government bonds)	5.91%	6.17%

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, 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.

For the half year ended 31 December 2008, the consolidated entity recognised a finance payment expense of $177,515, which reflects the amortisation of the options issued, please see note 9.

12 Related party transactions

Arrangements with Director controlled entities continue to be in place at 31 December 2008. Two of the Directors 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 favourable 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 2008	31 December 2007	31 December 2008	30 June 2008
Company controlled by director Coralline PL (PL Munachen) *Finance director fees*	25,000	20,000	-	-
Company controlled by director Rockfield Group Ltd (HD Kennedy) *Director fees*	24,996	21,250	4,167	-
Company controlled by directors Resource Services International (Aust) PL (PL Munachen and EA Myers)	138,000	114,600	-	-

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 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 1 month of balance sheet date. The balances owing to the related parties are unsecured.

13 Commitments

No significant exploration expenditures are foreseen for 2009. The company is commited to managing its commitments and focusing on key exploration assets.

14 Subsequent Events

A heads of agreement between Westranch Holdings Ltd, (Norwest's wholly owned subsidiary) and Empire Oil Company (WA), (a wholly owned subsidiary of Empire Oil & Gas NL) was signed in February 2009, for an equity swap in Norwest's share in EP 368 and Empire's 426 resulting in Norwest holding a 20% interest in each permit. The agreement is subject to approval by the Western Australian Department of Mines and Petroleum. Westranch was assigned 100% interest in EP 368 by co-venturers prior to the Empire agreement which is still subject to approval by the Western Australia Department of Mines and Petroleum.

In January 2009, the Company issued 3,500,000 options to subscribe for ordinary shares at an exercise price of $0.053 per share pursuant to the Employee Incentive Scheme approved by shareholders. The options expire on 21 January 2014.

KPMG

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

Report on the financial report

We have reviewed the accompanying interim financial report of Norwest Energy NL, which comprises the consolidated interim balance sheet as at 31 December 2008, income statement, statement of recognised income and expense and cash flow statement for the half-year ended on that date, a statement of accounting policies and other explanatory notes 1 to 14 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 interim financial report

The directors of the company are responsible for the preparation and fair presentation of the interim financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the interim 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 interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports 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 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 2008 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 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.

KPMG

Independence

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

Conclusion

Whilst we draw attention to the material uncertainty regarding the Group's continuation as a going concern described below, based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim 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 2008 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*.

Material uncertainty regarding continuation as a going concern

Without qualification to the conclusion expressed above, attention is drawn to Note 3 to the interim financial report. As detailed in Note 3, the ability of the Group to meet its obligations, particularly the repayment of the secured loan, is dependent upon achieving the planned asset sale in the amount and in the timeframe required and/or obtaining the forbearance of its secured lenders.

Accordingly, there is material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and therefore whether it will be able to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the interim financial report.

KPMG

KPMG

BC Fullarton

BC Fullarton
Partner

Perth

16 March 2009