

Norwest Energy NL
Interim Financial Report
Half-Year Ended 31 December 2010

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Directors' Report 31 December 2010

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 2010 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 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 \$1,733,357 (31 December 2009: \$1,162,105).

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

- Norwest signing up the Hunt rig 2 to drill Red Hill South
- Site works commenced at Red Hill South drilling lease
- A landmark deal was signed with Bharat PetroResources Limited in September 2010 and received approval and registration from Western Australian Department of Mines and Energy in January 2011
- Further detailed geological and geophysical studies initiated for EP413 – Arrowsmith #2 shale gas drilling program
- Negotiations progressing to secure rig slot for April 2011 Arrowsmith #2 shale gas well with rig contractor
- Placement of 28m shares raised \$1.25m to supplement working capital

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

In January 2011, the Company lodged a Prospectus in relation to an underwritten non-renounceable rights issue of one option ("Primary Option") to subscribe for one (1) Share for every seven (7) Shares held by Shareholders registered as such on the Record Date at an issue price of \$0.0075 per option (104,587,252 Options in total) to raise up to \$784,404. The Primary Options are exercisable at any time before 30 June 2012 at an exercise price of \$0.10 each. For each Primary Option exercised by 30 September 2011 one additional option ("Secondary Option") will be offered during October 2011 by way of a disclosure document to the option holder who exercised the Primary Option. Each Secondary Option will be granted at no cost, will have an exercise price of 20 cents per option and may be exercised by 30 June 2013.

The Option Rights Issue was completed on 21 February 2011 and 104,587,252 options were allotted raising \$784,404.

The Company, as operator of the TP 15 joint venture, commenced drilling the Red Hill South prospect on 28 February. The well is being drilled from an onshore location about 200 metres inland and approximately 3km south of Port Dennison in the Perth Basin.

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 2010 is set out on page 5 and forms part of the Directors Report for the six months ended 31 December 2010.

Signed in accordance with a resolution of the Directors.



.....
Peter Lawson Munachen
Director

Perth
11 March, 2011

*R*OTHSAY

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Phone (08) 9227 0552 www.rothsay.com.au

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 2010 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 // March 2011



Chartered Accountants

Liability limited by the Accountants Scheme, approved
under the Professional Standards Act 1994 (NSW).

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 2010 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
11 March, 2011

**Consolidated Interim Statement of Comprehensive Income
For the Half-Year Ended 31 December 2010**

	31 December 2010	31 December 2009
	\$	\$
Continuing Operations		
Revenue	269,899	106,767
Depletion expense	(454,292)	(76,336)
Operating costs	(264,006)	(53,185)
Gross Profit/(Loss)	(448,399)	(22,754)
Other income/recharges	148,009	252,165
Exploration expenditure written off	-	(167,096)
Depreciation expense	(7,587)	(10,811)
Director's remuneration	(205,000)	(171,500)
Personnel expenses	(27,271)	(38,583)
Administrative expenses	(108,000)	(108,000)
Professional fees	(694,921)	(97,141)
Other expenses	(356,714)	(428,827)
Results from Operating Activities	(1,699,883)	(792,547)
Financing income	40,642	649
Financing expense	(47,848)	(351,999)
Total Financing Activities	(7,206)	(351,350)
Profit/(Loss) before Income Tax Expense	(1,707,089)	(1,143,897)
Income Tax Expense	-	-
Profit/(Loss) for the Period	(1,707,089)	(1,143,897)
Other Comprehensive Income/(Loss)		
Foreign currency translation differences for foreign operations	(29,268)	(21,541)
Net change in fair value of available-for-sale financial assets transferred to profit or loss	3,000	3,333
Income tax relating to items of other comprehensive income/(loss)	-	-
Other Comprehensive Income/(Loss) for the Period, Net of Income Tax	(26,268)	(18,208)
Total Comprehensive Income/(Loss) for the Period	(1,733,357)	(1,162,105)
Basic loss per share (cents per share)	(0.30)	(0.30)
Diluted loss per share (cents per share)	(0.30)	(0.30)

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 17.

**Consolidated Interim Statement of Changes in Equity
For the Half-Year Ended 31 December 2010**

Consolidated	Share Capital \$	Retained Earnings \$	Option Reserve \$	Total Equity \$
Balance at 1 July 2009	32,382,149	(32,392,684)	1,804,684	1,794,149
Profit or loss	-	(1,143,897)	-	(1,143,897)
Other comprehensive income/(loss)	-	(18,208)	-	(18,208)
Equity-settled transactions net of tax	-	-	351,999	351,999
Shares issued (net of costs)	2,431,282	-	-	2,431,282
Share options expired	-	121,224	(121,223)	1
Balance at 31 December 2009	34,813,431	(33,433,565)	2,035,460	3,415,326
Balance at 1 July 2010	36,042,868	(34,388,935)	2,046,290	3,700,223
Profit or loss	-	(1,707,089)	-	(1,707,089)
Other comprehensive income/(loss)	-	(26,268)	-	(26,268)
Equity-settled transactions net of tax	-	-	47,848	47,848
Shares issued (net of costs)	4,171,985	-	-	4,171,985
Share options expired	-	-	-	-
Balance at 31 December 2010	40,214,853	(36,122,292)	2,094,138	6,186,699

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 17.

**Consolidated Interim Statement of Financial Position
As at 31 December 2010**

	Note	31 December 2010 \$	30 June 2010 \$
ASSETS			
Current assets			
Cash and cash equivalents		3,068,786	1,030,755
Trade and other receivables		1,951,552	798,834
Total current assets		5,020,338	1,829,589
Non-current assets			
Trade and other receivables		31,061	37,987
Property, plant and equipment		35,808	14,124
Financial assets		10,667	7,667
Deferred exploration, evaluation and development	7	2,283,579	2,385,608
Total non-current assets		2,361,115	2,445,386
TOTAL ASSETS		7,381,453	4,274,975
LIABILITIES			
Current liabilities			
Trade and other payables		956,091	526,168
Total current liabilities		956,091	526,168
Non-current liabilities			
Provisions		238,663	48,584
Total non-current liabilities		238,663	48,584
TOTAL LIABILITIES		1,194,754	574,752
NET ASSETS		6,186,699	3,700,223
EQUITY			
Issued capital		40,214,853	36,042,868
Reserves		2,094,138	2,046,290
Accumulated losses		(36,122,292)	(34,388,935)
TOTAL EQUITY		6,186,699	3,700,223

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 17.

**Consolidated Interim Statement of Cash Flows
For the Half-Year Ended 31 December 2010**

	31 December 2010	31 December 2009
	\$	\$
Cash flows from operating activities:		
Cash receipts from customers	453,915	101,191
Cash payments to suppliers and employees	(896,760)	(898,839)
Interest received	40,642	649
Other	4,296	-
Net cash used in operating activities	(397,907)	(796,999)
Cash flows from investing activities:		
Purchase of property, plant & equipment	(28,995)	-
Expenditure on oil & gas interests	(1,709,344)	(1,301,630)
Proceeds from sale of property, plant & equipment	-	127
Proceeds from sale of projects	-	-
Net cash used in investing activities	(1,738,339)	(1,301,503)
Cash flows from financing activities:		
Proceeds from the issue of share capital	4,205,008	2,353,337
Proceeds from borrowings	-	-
Net cash from financing activities	4,205,008	2,353,337
Net (decrease)/increase in cash and cash equivalents	2,068,762	254,835
Cash and cash equivalents at 1 July 2010	1,030,755	1,152,408
Effect of exchange rates on cash held	(30,731)	(29,850)
Cash and cash equivalents at 31 December 2010	3,068,786	1,377,393

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 17.

Notes to the Consolidated Interim Financial Statements For the Half-Year Ended 31 December 2010

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 2010, 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 2010 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 11 March, 2011.

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 2010. 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

The financial statements have been prepared on a going concern basis. When making this assessment management considered the forecast budget for the next twelve months and all available relevant information. It was also noted that the Group has a history of being able to raise funds and also has the option of farming out exploration commitments to more manageable levels should the circumstances arise.

4 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 2010.

Notes to the Consolidated Interim Financial Statements For the Half-Year Ended 31 December 2010

5 Estimates

The preparation of the interim financial report requires management to make key judgments, 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 judgments made by management in applying the consolidated entity's accounting policies and the key sources of estimation uncertainty were same as those applied in the consolidated financial report as at and for the year ended 30 June 2010.

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 operated in two principal geographical areas in 2010, 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.

**Notes to the Consolidated Interim Financial Statements
For the Half-Year Ended 31 December 2010**

6 Segment Reporting continued

For the six months ended 31 December 2009 and 2010

	UK		Australia		Consolidated	
	2010	2009	2010	2009	2010	2009
Segment revenue	-	-	269,899	106,767	269,899	106,767
Other segment income	135,509	244,797	12,500	7,368	148,009	252,165
Segment result	(82,852)	32,280	(1,617,031)	(824,827)	(1,699,883)	(792,547)
Unallocated expenses					-	-
Results from operating activities					(1,699,883)	(792,547)

7 Deferred exploration, evaluation and development costs

	31 December 2010 \$	31 December 2009 \$
Transactions for the six months to 31 December		
<i>Exploration and evaluation phase:</i>		
Balance at 1 July	2,124,035	1,144,324
Addition of exploration interests	4,720	-
Capitalised expenditure during the period	1,266,401	943,686
Exploration expenditure written off	-	(167,096)
Settlement payments re farm in	(1,324,758)	-
Balance at 31 December	<u>2,070,398</u>	<u>1,920,914</u>
<i>Production phase:</i>		
Balance at 1 July	261,573	69,517
Addition of production interests	277,450	151,459
Capitalised expenditure during the period	128,450	-
Depletion expense	(454,292)	(76,336)
Balance at 31 December	<u>213,181</u>	<u>144,640</u>
Total	<u>2,283,579</u>	<u>2,065,554</u>

**Notes to the Consolidated Interim Financial Statements
For the Half-Year Ended 31 December 2010**

8 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 2009	32,382,149	(32,392,684)	1,804,684	1,794,149
Profit or loss	-	(1,143,897)	-	(1,143,897)
Other comprehensive income/(loss)	-	(18,208)	-	(18,208)
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Shares issued (net of costs)	2,431,282	-	-	2,431,282
Share options expired	-	121,224	(121,223)	1
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Equity-settled transactions net of tax	-	-	47,848	47,848
Shares issued (net of costs)	4,171,985	-	-	4,171,985
Share options expired	-	-	-	-
Balance at 31 December 2010	40,214,853	(36,122,292)	2,094,138	6,186,699

Share capital

	Ordinary Shares	
	31 Dec 2010	31 Dec 2009
	No.	No.
Opening shares on issue at beginning of half-year	587,278,582	316,052,149
Issued (i)	-	214,701,433
Issued (ii)	114,423,088	-
Issued (iii)	2,000,000	-
Issued (iv)	28,409,091	-
Closing shares on issue – fully paid	732,110,761	530,753,582

- i) 214,701,433 at \$0.0125
- ii) 114,423,088 at \$0.0260
- iii) 2,000,000 at \$0.0264
- iv) 28,409,091 at \$0.0440

**Notes to the Consolidated Interim Financial Statements
For the Half-Year Ended 31 December 2010**

Options

During the half-year ended 31 December 2010, 1,650,000 options were issued to Employees under the director and employee incentive scheme

	Options	
	31 Dec 2010	31 Dec 2009
	No.	No.
Balance at beginning of the half-year	34,069,737	26,419,737
Granted during the period to Directors	-	11,000,000
Granted during the period to Employees	1,650,000	-
Exercised during the period	-	-
Lapsed during the period	-	(1,850,000)
Balance at end of the half-year	35,719,737	35,569,737

9 Share-based payments

During the half-year ended 31 December 2010 1,650,000 shares were issued to 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 2010 are as follows:

Grant date / to entitled	Number of Instrument	Vesting conditions	Contractual life of options	Exercise price \$
Options granted to Employees	1,650,000	vesting immediately	5 years	\$0.036

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

For the six months ended 31 December 2010

	2010	2009
Fair value at grant date	\$0.029	\$0.032
Share price	\$0.029	\$0.032
Exercise price	\$0.036	\$0.0554
Expected volatility (expressed as annualized weighted average)	106.00%	121.00%
Option life (expressed as weighted average life used in modeling under the Black Scholes)	5 years	5 years
Expected dividends	-	-
Risk-free interest rate (based on national government bonds)	4.91%	4.91%

The expected volatility is based on the historic annualized 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.

**Notes to the Consolidated Interim Financial Statements
For the Half-Year Ended 31 December 2010**

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.

10 Related party transactions

Arrangements with Director controlled entities continue to be in place at 31 December 2010. 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 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 2010	31 December 2009	31 December 2010	30 June 2010
Company controlled by director U5 P/L (MJ Fry) <i>Director fees</i>	30,000	30,000	-	-
Company controlled by director Corraline P/L (PL Munachen) <i>Chief Executive Officer fees</i>	150,000	135,000	-	-
Company controlled by director Rockfield Group Ltd (HD Kennedy) <i>Director fees</i>	25,000	6,500	-	-
Company controlled by director and secretary Resource Services International (Aust) P/L (PL Munachen and EA Myers) <i>Administration, corporate, accounting & secretarial fees</i>	108,000	108,000	18,000	18,000

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.

Notes to the Consolidated Interim Financial Statements For the Half-Year Ended 31 December 2010

11 Commitments

EP413 Norwest currently has a 27.803% interest in this permit. There is a well commitment to drill a well by 1 August 2011, but Norwest is a free carried through this commitment.

EP368/426 Norwest holds a 20% interest in each of these permits. The joint venture is planning a 3D seismic survey in the latter part of 2011.

UK PEDLs 238, 089 and 239. Licence commitments for the UK permits total A \$7,100.

12 Subsequent Events

In January 2011, the Company lodged a Prospectus in relation to an underwritten non-renounceable rights issue of one option (“Primary Option”) to subscribe for one (1) Share for every seven (7) Shares held by Shareholders registered as such on the Record Date at an issue price of \$0.0075 per option (104,587,252 Options in total) to raise up to \$784,404. The Primary Options are exercisable at any time before 30 June 2012 at an exercise price of \$0.10 each. For each Primary Option exercised by 30 September 2011 one additional option (“Secondary Option”) will be offered during October 2011 by way of a disclosure document to the option holder who exercised the Primary Option. Each Secondary Option will be granted at no cost, will have an exercise price of 20 cents per option and may be exercised by 30 June 2013.

The Option Rights Issue was completed on 21 February 2011 and 104,587,252 options were allotted raising \$784,404.

The Company, as operator of the TP 15 joint venture, commenced drilling the Red Hill South prospect in late February. The well is being drilled from an onshore location about 200 metres inland and approximately 3km south of Port Dennison in the Perth Basin. The budget cost of the well is \$5,000,000. Bharat Petro Resources Limited (“Bharat”) is contributing \$3,000,000 towards well costs and Norwest \$2,000,000. Cost in excess of \$5,000,000 will be apportioned equally between Norwest and Bharat.



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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 2010.

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 2010 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 2010 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 11 March 2011



Chartered Accountants

Liability limited by the Accountants Scheme, approved
under the Professional Standards Act 1994 (NSW).