



Norwest Energy NL
Interim Financial Report
Half-Year Ended 31 December 2011

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Directors' Report 31 December 2011

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 2011 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 Westranch Holdings Pty Ltd, Norwest's subsidiary was the operator of the TP 15 joint venture until November 2011 when Bharat PetroResources Limited advised its withdrawal from the joint venture. Norwest is also the operator of the PEDL 238 and PEDL 239 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 \$1,082,454 (31 December 2010: \$1,733,357).

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

Operations

- Norwest is finalising plans to conduct hydraulic fracture stimulation operations on its Arrowsmith-2 well in permit EP 413;
- Airborne survey over North Perth Basin STP SPA 0013 was completed during the half-year with comprehensive interpretation of the survey ongoing; and
- Westranch Holdings Pty Ltd became the 100% owner of permit TP 15.

Corporate

- Issue of 141,567,730 shares during the half-year by way of placement, rights issue and conversion of options to raise \$4,256,202.

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 2012, the United Kingdom's 26th seaward oil and gas licencing round awarded Norwest and its UK joint venture partners five exploration licences in the Wessex Basin.

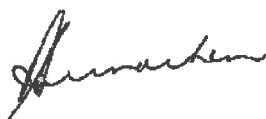
Also in January 2012, positive results of the STP SPA 0013 evaluation provided encouragement for Norwest to apply for a conventional exploration permit.

In March 2012, Norwest announced that the Western Australian Minister for Environment advised that he will uphold the decision of the Environmental Protection Authority (EPA) not to assess the Arrowsmith-2 hydraulic fracture stimulation programme. Norwest, will re-commence operations to implement the Arrowsmith-2 programme as soon as possible.

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 2011 is set out on page 5 and forms part of the Directors Report for the six months ended 31 December 2011.

Signed in accordance with a resolution of the Directors.



.....
Peter Lawson Munachen
Director

Perth
7 March, 2012

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 2011 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 7th March 2012



Chartered Accountants

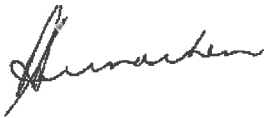
Liability limited by the Accountants Scheme, approved
under the Professional Standards Act 1994 (NSW).

Directors' Declaration

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

1. the financial statements and notes, 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 2011 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
7 March, 2012

**Consolidated Interim Statement of Comprehensive Income
For the Half-Year Ended 31 December 2011**

	31 December 2011 \$	31 December 2010 \$
Continuing Operations		
Revenue	298,879	269,899
Depletion expense	(325,865)	(454,292)
Operating costs	<u>(221,642)</u>	<u>(264,006)</u>
Gross Profit/(Loss)	(248,628)	(448,399)
Other income/recharges	102,381	148,009
Depreciation expense	(8,688)	(7,587)
Director's remuneration	(259,000)	(205,000)
Personnel expenses	(139,463)	(27,271)
Personnel & overhead recovery	148,973	-
Administrative expenses	(180,000)	(108,000)
Professional fees	(48,492)	(694,921)
Other expenses	<u>(460,120)</u>	<u>(356,714)</u>
Results from Operating Activities	(1,093,037)	(1,699,883)
Financing income	13,218	40,642
Financing expense	<u>(1,100)</u>	<u>(47,848)</u>
Total Financing Activities	12,118	(7,206)
Profit/(Loss) before Income Tax Expense	(1,080,919)	(1,707,089)
Income Tax Expense	<u>-</u>	<u>-</u>
Profit/(Loss) for the Period	(1,080,919)	(1,707,089)
Other Comprehensive Income/(Loss)		
Foreign currency translation differences for foreign operations	1,798	(29,268)
Net change in fair value of available-for-sale financial assets transferred to profit or loss	(3,333)	3,000
Income tax relating to items of other comprehensive income/(loss)	-	-
Other Comprehensive Income/(Loss) for the Period, Net of Income Tax	<u>(1,535)</u>	<u>(26,268)</u>
Total Comprehensive Income/(Loss) for the Period	(1,082,454)	(1,733,357)
Basic loss per share (cents per share)	(0.10)	(0.30)
Diluted loss per share (cents per share)	(0.10)	(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 16.

**Consolidated Interim Statement of Changes in Equity
For the Half-Year Ended 31 December 2011**

Consolidated	Share Capital	Retained Earnings	Option Reserve	Total Equity
	\$	\$	\$	\$
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
Option movements	-	-	-	-
Balance at 31 December 2010	40,214,853	(36,122,292)	2,094,138	6,186,699
Balance at 1 July 2011	40,952,024	(39,115,692)	2,120,297	3,956,629
Profit or loss	-	(1,080,919)	-	(1,080,919)
Other comprehensive income/(loss)	-	(1,535)	-	(1,535)
Equity-settled transactions net of tax	-	-	-	-
Shares issued (net of costs)	3,922,643	-	-	3,922,643
Option movements	-	929,737	(928,637)	1,100
Balance at 31 December 2011	44,874,667	(39,268,409)	1,191,660	6,797,918

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 2011**

	Note	31 December 2011 \$	30 June 2011 \$
ASSETS			
Current assets			
Cash and cash equivalents		4,644,293	1,727,323
Trade and other receivables		548,114	787,768
Total current assets		<u>5,192,407</u>	<u>2,515,091</u>
Non-current assets			
Trade and other receivables		31,061	31,061
Property, plant and equipment		39,776	48,464
Financial assets		6,667	10,000
Deferred exploration, evaluation and development	7	2,143,530	2,065,101
Total non-current assets		<u>2,221,034</u>	<u>2,154,626</u>
TOTAL ASSETS		<u>7,413,441</u>	<u>4,669,717</u>
LIABILITIES			
Current liabilities			
Trade and other payables		374,179	471,744
Total current liabilities		<u>374,179</u>	<u>471,744</u>
Non-current liabilities			
Provisions		241,344	241,344
Total non-current liabilities		<u>241,344</u>	<u>241,344</u>
TOTAL LIABILITIES		<u>615,523</u>	<u>713,088</u>
NET ASSETS		<u>6,797,918</u>	<u>3,956,629</u>
EQUITY			
Issued capital		44,874,667	40,952,024
Reserves		1,191,660	2,120,297
Accumulated losses		(39,268,409)	(39,115,692)
TOTAL EQUITY		<u>6,797,918</u>	<u>3,956,629</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 2011**

	31 December 2011	31 December 2010
	\$	\$
Cash flows from operating activities:		
Cash receipts from customers	307,439	453,915
Cash payments to suppliers and employees	(1,057,237)	(896,760)
Interest received	13,186	40,642
Other	524,776	4,296
Net cash used in operating activities	(211,836)	(397,907)
Cash flows from investing activities:		
Purchase of property, plant & equipment	-	(28,995)
Expenditure on oil & gas interests	(826,366)	(1,709,344)
Proceeds from sale of property, plant & equipment	-	-
Proceeds from sale of projects	55,000	-
Net cash used in investing activities	(771,366)	(1,738,339)
Cash flows from financing activities:		
Proceeds from the issue of share capital	3,897,658	4,205,008
Proceeds from borrowings	-	-
Net cash from financing activities	3,897,658	4,205,008
Net (decrease)/increase in cash and cash equivalents	2,914,456	2,068,762
Cash and cash equivalents at 1 July 2011	1,727,323	1,030,755
Effect of exchange rates on cash held	2,514	(30,731)
Cash and cash equivalents at 31 December 2010	4,644,293	3,068,786

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 2011

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 2011, 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 2011 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 7 March, 2012.

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 2011. 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 2011.

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 2011.

**Notes to the Consolidated Interim Financial Statements
For the Half-Year Ended 31 December 2011**

6 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.

7 Deferred exploration, evaluation and development costs

	31 December 2011 \$	31 December 2010 \$
Transactions for the six months to 31 December		
<i>Exploration and evaluation phase:</i>		
Balance at 1 July	1,799,183	2,124,035
Addition of exploration interests	-	4,720
Capitalised expenditure during the period	359,347	1,266,401
Exploration expenditure written off	-	-
Recoveries	(15,000)	-
Settlement payments re farm in	-	(1,324,758)
Balance at 31 December	<u>2,143,530</u>	<u>2,070,398</u>
<i>Production phase:</i>		
Balance at 1 July	265,918	261,573
Addition of production interests	-	277,450
Capitalised expenditure during the period	59,947	128,450
Depletion expense	(325,865)	(454,292)
Balance at 31 December	<u>-</u>	<u>213,181</u>
Total	<u>2,143,530</u>	<u>2,283,579</u>

**Notes to the Consolidated Interim Financial Statements
For the Half-Year Ended 31 December 2011**

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 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
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Equity-settled transactions net of tax	-	-	-	-
Shares issued (net of costs)	3,922,643	-	-	3,922,643
Option movements	-	929,737	(928,637)	1,100
Balance at 31 December 2011	44,874,667	(39,268,409)	1,191,660	6,797,918

Share capital

	Ordinary Shares	
	31 Dec 2011 No.	31 Dec 2010 No.
Opening shares on issue at beginning of half-year	732,615,462	587,278,582
Issued (i) 2010	-	114,423,088
Issued (ii) 2010	-	2,000,000
Issued (iii) 2010	-	28,409,091
Issued (iv) 2011	141,482,371	-
Issued (v) 2011	53,416	-
Issued (vi) 2011	31,943	-
Closing shares on issue – fully paid	874,183,192	732,110,761

- i) 114,423,088 at \$0.0260
- ii) 2,000,000 at \$0.0264
- iii) 28,409,091 at \$0.0440
- iv) 141,482,371 at \$0.0300
- v) 53,416 at \$0.1000
- vi) 31,943 at \$0.2000

**Notes to the Consolidated Interim Financial Statements
For the Half-Year Ended 31 December 2011**

8 Capital and reserves continued

Options - Unlisted

During the half-year ended 31 December 2011, 63,339 unlisted options were issued to Shareholders.

	Unlisted Options	
	31 Dec 2011 No.	31 Dec 2010 No.
Balance at beginning of the half-year	36,469,737	34,069,737
Granted during the period to Directors	-	-
Granted during the period to Employees	-	1,650,000
Issued during the period to Shareholders	63,339	-
Exercised during the period	(31,943)	-
Lapsed during the period	(14,819,737)	-
Balance at end of the half-year	21,681,396	35,719,737

Options - Listed

During the half-year ended 31 December 2011, no listed options were issued.

	Listed Options	
	31 Dec 2011 No.	31 Dec 2010 No.
Balance at beginning of the half-year	104,541,735	-
Exercised during the period	(53,416)	-
Balance at end of the half-year	104,488,319	-

9 Share-based payments

During the half-year ended 31 December 2011, 85,359 shares were issued to Shareholders upon exercise of listed and 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 2011 are as follows:

Grant date / to entitled	Number of Instrument	Vesting conditions	Contractual life of options	Exercise price \$
Options granted to Shareholders	63,339	vesting immediately	Exp 30 Jun 13	\$0.20

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 2011**

9 Share-based payments continued

For the six months ended 31 December 2011

	2011	2010
Fair value at issue date	\$0.035	\$0.029
Share price	\$0.040	\$0.029
Exercise price	\$0.200	\$0.036
Expected volatility (expressed as annualized weighted average)	121.00%	106.00%
Option life (expressed as weighted average life used in modeling under the Black Scholes)	20 months	5 years
Expected dividends	-	-
Risk-free interest rate (based on national government bonds)	3.57%	4.91%

Unlisted share options are granted to Directors, key personnel, consultants and suppliers upon receiving shareholder approval subject to the Corporations Regulations 2001, other than the 20c options issued in the half-year to unrelated option holders who elected to exercise their 30 June 2012 options early to receive a 20c option exercisable by 30 June 2013. There are no market conditions associated with the share option grants. Listed share options were issued to Shareholders as part of a fundraising initiative.

10 Related party transactions

Arrangements with Director controlled entities continue to be in place at 31 December 2011. 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) SAUD		Balance outstanding SAUD	
	31 December 2011	31 December 2010	31 December 2011	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>	180,000	150,000	-	-
Company controlled by director Rockfield Group Ltd (HD Kennedy) <i>Director fees</i>	25,000	25,000	-	-
Company controlled by director and secretary Resource Services International (Aust) P/L (PL Munachen and EA Myers) <i>Administration, corporate, accounting & secretarial fees</i>	180,000	108,000	-	18,000

Notes to the Consolidated Interim Financial Statements For the Half-Year Ended 31 December 2011

10 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.

11 Commitments

EP 413 Norwest currently has a 27.945% interest in this permit. The commitment to drill a well on this permit has been satisfied and now the Company awaits approval to conduct hydraulic fracture stimulation operations. Norwest has a post balance date obligation of AU\$500,000.

EP 368/426 Westranch holds a 20% interest in each of these permits. The joint venture is planning a 3D seismic survey for completion prior to mid 2012. The monetary commitment for Westranch is AU\$800,000.

UK PEDLs 238, and 239. Licence commitments for the UK permits total AU\$838,106.

12 Subsequent Events

In January 2012, the United Kingdom's 26th seaward oil and gas licencing round awarded Norwest and its UK joint venture partners five exploration licences in the Wessex Basin.

Also in January 2012, positive results of the STP SPA 0013 evaluation provided encouragement for Norwest to apply for a conventional exploration permit.

In March 2012, Norwest announced that the Western Australian Minister for Environment advised that he will uphold the decision of the Environmental Protection Authority (EPA) not to assess the Arrowsmith-2 hydraulic fracture stimulation programme. Norwest, will re-commence operations to implement the Arrowsmith-2 programme as soon as possible.

ROTHSAY

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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 2011.

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 2011 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 2011 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 7th March 2012



Chartered Accountants

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