



**December 2008**

**Quarterly Activities Report**

**Highlights**

- **Investec limits loan facility at A\$2.4m and accelerates repayment schedule**
  - **\$4.9m equity issue announced to repay Investec and provide working capital**
  - **Cobra UK offshore gas project appraisal well planning for Q1 2010**
  - **High resolution ground gravity survey completed over Dorset licence**
  - **Airborne Gravity Gradiometry Survey (GGI) flown over part of Isle of Wight License area - completed in early January 2009**
  - **Puffin Royalty- project activities- Puffin 11 drilling intersects 20 metre oil column**
  - **Peter Munachen appointed as CEO**
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**Investec Facility Repayment**

In July 2008, in support of the Cobra drilling program, Norwest obtained a credit facility of A\$3m from Investec Bank (Australia) Limited, secured against the assets of the Company, and repayable on or before 30 June 2009 from expected Puffin royalty receipts and/ or an equity raising. Actual royalty cash flows have been considerably less than expected and furthermore delayed; and with the current low price of oil, it is anticipated that future royalties will continue to be less than expected in the short to medium term. As a consequence Investec have advised Norwest that it intends to restructure the facility by reducing it from A\$3m to A\$2.4m and rescheduling the repayment to \$650,000 by 31 March 2009 and \$1,750,000 by 31 May 2009. Investec are in the process of preparing a variation to the credit facility to formalise the restructure.

## **Equity issue**

The directors have today announced a share issue to shareholders to raise up to \$4,907,633m. The funds will be applied to repay the Investec debt, fund the Company's interest in exploration programs and provide working capital. Shareholders will be offered the right to subscribe for one new share for every one share held at an issue price of \$0.0225 (2.25 cents) per share. The issue is planned to close on 4 March 2009. Any shares not taken up in the offer will remain under the control of the directors who may place those shares at their discretion within three months of the close of the issue. The directors of Norwest consider that the issue of new shares is in the best interest of the share holders as a sale of any of the assets of the company could take some time and may not occur within the scheduled time frame to meet the requirements of the Investec restructure.

## **UK OPERATIONS**

### **Cobra Gas Discovery Appraisal: UK North Sea Blocks 48/1b and 48/2c ( Norwest -25%)**

During the fourth quarter, Norwest participated in the Cobra partners' annual Operating Committee meeting (OCM) and Technical Committee meeting (TCM). The meetings included a work review and annual budget assessment for the next phase of the Cobra gas discovery. The operator EnCore Oil is pursuing an ongoing evaluation of the most effective well stimulation techniques in order to potentially maximize future production testing and performance of the Cobra reservoir. This technology will most likely involve fracing the well in the next phase of the Cobra appraisal project which will most likely take place in early 2010.

The Cobra 48/2c -5 well was drilled in April/May 2008 and confirmed a gas discovery which, on review by independent consultants, indicated estimated gas initially in place in excess of 300BCF (billion cubic feet).

### **Block 48/1d ( Norwest -25%)**

Norwest is to be awarded block 48/1d (previously defined as 48/1c) in the Offshore Southern North Sea Gas Basin. The block is adjacent to the Cobra licence (48/1b and 48/2c) and will form part of the Cobra joint venture.

Norwest's wholly owned subsidiary, NWE Southern Cross (UK) Pty Ltd has a 25% interest in the licence with the other participants being:

EnCore Oil (Operator)	25%
Tata Petrodyne	25%
Bharat Petroleum Company Ltd	25%

The Joint Venture has been offered a traditional licence for block 48/1d. This block adjoins and is west of the Cobra licence and contains a prospect that the Joint Venture considers to be an extension that potentially adds over 100BCF to the Cobra field.

### **Farmin to Ithaca's Manuel Prospect ( Norwest – 5%)**

The Manuel exploration license includes a number of significant prospects in addition to the Manuel Prospect which are now being further assessed by the operator, Ithaca Energy, in light of the positive well results. This will form the basis for the next phase of exploration within Block 11/29 of the Beatrice area to commence during mid to late 2009.

### **UK North Sea Blocks 12/16b, 12/17a, 12/22b (Norwest - 25%)**

Norwest is planning to participate in a prospect driven 2D seismic survey to be acquired within the license area, most likely during mid to late 2009.

### **UK Onshore PEDL 238 Dorset Area (Norwest – operator-50%)**

Norwest successfully completed a high resolution ground gravity survey over the PEDL 238 Dorset license during the fourth quarter. PEDL238 covers an area between Christchurch and Poole Harbour, including Bournemouth, along the south coast of England. The aim of the ground survey was to produce an ultra-accurate gravity map which may be used to identify basement-involved structures at depths of 1800 to 2000 meters. Preliminary results indicate that several potential basement involved structures appear to be present within the license boundaries. Norwest's PEDL 238 License is located adjacent to and just north of BP's giant Wytch Farm oil field which to date, has produced over 400 million barrels of oil. With estimated recoverable reserves of nearly 500 million barrels, Wytch Farm is the largest onshore oil field in Western Europe and the sixth largest oil field in the UK (including the North Sea fields).

### **UK Onshore PEDL 239 Isle of Wight Area (Norwest – operator-75%)**

Norwest has now completed an extensive "Airborne Gravity Gradiometry Survey" (GGI) that was flown in part over the PEDL 239 License area on the Isle of Wight. The survey was conducted by Bell Geospace on behalf of Norwest's wholly owned UK subsidiary NWE Southern Cross and was flown using a modernized 1944 Dakota DC-3 fixed-wing twin-propeller aircraft equipped with a gradiometer. The main objective of the survey was to measure geophysical characteristics of rocks that extend some 2000 meters below the earth's surface. Preliminary results reveal that deep geologic structuring has occurred beneath the Isle of Wight. However, the geologic details and implications of these events will not be totally clear until the raw gravity data is processed, fully interpreted and integrated with the existing seismic data. This information will then be used to better understand and assess the oil and gas potential of the Isle of Wight and surrounding region.

Norwest believes that the South of England has significant untapped potential for new hydrocarbon discoveries considering that to date, few other material discoveries have been made in the area since Wytch Farm was discovered by the Gas Council in 1973. This represents an anomalous trend when compared with oil and gas discovery statistics in geologic basins worldwide which typically show a bell curve distribution

of discoveries. The fact that Wytch Farm is the only major discovery to date in the Wessex basin (which extends across a large part of the South of England and includes both Norwest licenses) strongly suggests that more fields are waiting to be discovered in the Wessex Basin. Furthermore, the South of England has historically been largely overlooked and undervalued by industry compared with higher profile North Sea opportunities. Also, the area has presented exploration challenges due to geologic complexities, seismic imaging problems along with population density and environmental issues.

## **AUSTRALIA**

### **AC/P22 Vulcan Sub-basin Timor Sea ( Norwest - 1.25% Over-Riding Royalty )**

No royalty payments were received from Puffin production during the quarter. The next payment is expected towards the end of Q1/09. Norwest's 1.25% over-riding royalty interest covers the entire AC/P22 permit and any production derived within the bounds of the permit.

During the quarter AED reported that drilling at the primary SW1 target in the Puffin South West by the Puffin joint venture successfully intersected an oil bearing sand at 2013 m TVDSS (True Vertical Depth SubSea). Preliminary results indicate that a column of movable oil exceeding 20 m TV (True Vertical) has been intersected. Puffin joint venture has now begun flow testing the Puffin-11 well in the Timor Sea and says preliminary results indicate the oil has similar characteristics to that seen within the Puffin field.

Subsequent to 31 December 09 AED reported that the Puffin-12 appraisal/development well drilled in the NE of the field intersected the Puffin LK1A sands at approximately 2033 metres True Vertical Depth Sub-Sea. Initial assessments indicate that the sand at this location is oil bearing however the oil column does not have sufficient thickness to warrant completion. Current oil price and economics have also been taken into consideration. East Puffin (the Joint Venture operator) and AED will now evaluate further targets for drilling in the NE region but in the meantime Puffin NE-12 will be suspended.

AED further reported that the joint venture is now likely to undertake remediation work on Puffin-7 and possibly the Puffin-8 well in the second quarter of this year. Planning for this should be finalized towards the end of January 2009.

For further information on Puffin operations please go to AED's web site:

<http://www.aedoil.com>.

### **AC/P32 Vulcan Sub-basin Timor Sea ( Norwest-15% )**

The JV met in December to discuss the results of Wisteria and it's implications on the prospectively of AC/P32. The Wisteria well was located too far to the East missing the primary target. The Wisteria play is still considered a valid target which requires additional technical work to further evaluate prior to a follow-up well.

Norwest now considers the project high risk and intends to withdraw from the joint venture and relinquish its interest in the licence.

## **L14 Jingemia Oil Field and EP/413 - Northern Onshore Perth Basin ( Norwest - 1.278% )**

### L14- Jingemia Oil Field

Oil produced from the Jingemia Field during the quarter was 69,727 barrels, 890 barrels net to Norwest for revenue of US\$47,897. The produced oil is being trucked and sold to BP's Kwinana Refinery.

Reservoir modelling associated with the Jingemia Field Depletion Plan continued through the quarter. This study is intended to provide a determination of incremental oil reserves in the Dongara Sandstone, and will help define a target location within the reservoir for an envisaged Jingemia 12 well. Current expectation is that this well will also have an exploration target in the deeper High Cliff Sandstone.

Deep gas potential has been identified in the Jingemia structure. This is currently being assessed.

The operator presented a detailed maintenance and production improvement plan at a management meeting during November.

### EP413

Following a review of the remaining prospectively in EP413 an application to withdraw from the permit was submitted to DoIR on 28 November 2009.

## **EP 368 Northern Onshore Perth Basin ( Norwest - 10% )**

Norwest has met with the operator (ARC/AWE 75%) and Origin (15%) to discuss future exploration programs. Mapping by Norwest has identified potentially large plays. Work is being undertaken by Norwest to better understand their potential and develop a plan to progress these opportunities.

The permit is in a well obligation year and under the terms of the licence a well is required to be drilled by 10 February 2009. The operator is in discussions with DoIR about the status of the licence and the way forward.

## **TP/15 Northern Offshore Perth Basin – ( Norwest -100% subject to DoIR approval )**

During the quarter ARC/AWE and Roc elected to withdraw from the licence and agreed to assign their respective interests in the licence to Norwest. Norwest is awaiting approval of DoIR for the assignment. Norwest has been in discussion with the DoIR regarding the work program to evaluate this permit. .

Norwest has been discussing farm out opportunities with several interested parties.

## **CORPORATE**

### Staff

Just prior to the end of the quarter Roger O'Brien, the recently appointed CEO resigned to return to New Zealand for family reasons.

Mr Peter Munachen, the finance director of Norwest was appointed to the role of CEO.

In the UK, John Michaels, VP Business Development entered into a new two year contract.

**Peter Munachen**  
**Chief Executive Officer/Director**  
**Norwest Energy NL**

For further information please contact Peter Munachen or Ernie Myers on 08-9227 3240, or email [info@norwestenergy.com.au](mailto:info@norwestenergy.com.au), or visit Norwest's website at [www.norwestenergy.com.au](http://www.norwestenergy.com.au).

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

**Norwest Energy NL**

ABN

65 078 301 505

Quarter ended ("current quarter")

31 December 2008

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (...6... months) \$A'000
1.1 Receipts from product sales and related debtors	128	1,189
1.2 Payments for		
(a) exploration and evaluation	(1,280)	(4,260)
(b) development		
(c) production	(60)	(60)
(d) administration	(488)	(1,184)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	-	6
1.5 Interest and other costs of finance paid	(44)	(190)
1.6 Income taxes paid (US)		
1.7 Other (provide details if material)	-	34
<b>Net Operating Cash Flows</b>	<b>(1,744)</b>	<b>(4,465)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects		
(b) equity investments		
(c) other fixed assets	(1)	(8)
1.9 Proceeds from sale of:		
(a) prospects	-	27
(b) equity investments		
(c) other fixed assets		
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
<b>Net investing cash flows</b>	<b>(1)</b>	<b>19</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(1,745)</b>	<b>(4,446)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(1,745)	(4,446)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	1,582
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings	1,250	2,000
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (provide details if material)		
	<b>Net financing cash flows</b>	1,250	3,582
	<b>Net increase (decrease) in cash held</b>	(495)	(864)
1.20	Cash at beginning of quarter/year to date	1,221	1,607
1.21	Exchange rate adjustments to item 1.20	82	65
1.22	<b>Cash at end of quarter</b>	808	808

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	156
1.24	Aggregate amount of loans to the parties included in item 1.10	NIL
1.25	Explanation necessary for an understanding of the transactions	
	Corporate & Consulting	37
	Directors Fees	50
	Administration & Secretarial	69

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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**Financing facilities available**

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

*Add notes as necessary for an understanding of the position*

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	400	2,000
3.2 Credit standby arrangements	NIL	NIL

**Estimated cash outflows for next quarter**

	\$A'000
4.1 Exploration and evaluation	370
4.2 Development	
<b>Total</b>	370

**Reconciliation of cash**

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	808	1,221
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter (item 1.22)</b>	808	1,221

**Changes in interests in mining tenements**

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

**Issued and quoted securities at end of current quarter**

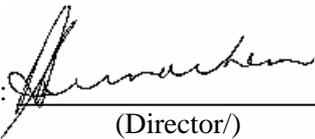
*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference +securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	218,117,038	218,117,038		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>	<i>Number outstanding</i>		<i>Exercise price</i>	<i>Expiry date</i>
	1,750,000		\$0.15	25 November 2009
	500,000		\$0.13	9 March 2010
	500,000		\$0.18	9 March 2010
	250,000		\$0.20	9 June 2010
	250,000		\$0.25	9 June 2010
	250,000		\$0.11875	17 April 2011
	100,000		\$0.13	8 August 2009
	6,925,000		\$0.15	27 November 2011
	1,000,000		\$0.20	30 April 2012
	500,000		\$0.25	30 April 2012
	1,000,000		\$0.225	30 June 2012
	1,000,000		\$0.275	30 June 2012
	1,000,000		\$0.325	30 June 2012
	7,894,737		\$0.19	19 August 2011
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter	6,200,000		\$0.20	27 November 2008
7.11 <b>Debentures</b> <i>(totals only)</i>				
7.12 <b>Unsecured notes</b> <i>(totals only)</i>				

+ See chapter 19 for defined terms.

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:  \_\_\_\_\_ Date: 29 January 2009  
(Director/)

Print name: P L Munachen

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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