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Quarterly Activities Report

Norwest Energy reports for the quarter ended 31 March 2010

HIGHLIGHTS

- Shale gas potential for Norwest North Perth basin acreage with permit foot print of over 1 million acres - 376,211 acres net to Norwest.
- Potential p50 unrisked recoverable oil ranging from 3.4MMbbl to 53.88MMbbl in seven leads identified in Norwest's three Southern England permits.
- Interest in Northern Perth Basin exploration permit EP413 to increase to 55.606%.
- Jingemia production income set to increase by acquiring Victoria Petroleum's 5% interest in the L14 production lease, increasing Norwest's interest to 6.278%.
- Thrust of farm-out discussions for Norwest's Northern Perth Basin interests varied to reflect the potential future value of shale gas in the permits.

Overview

The March quarter was another active period as the Company continued to build on its asset base.

With shale gas becoming a real possibility in the Northern Perth Basin, Norwest was pleased to acquire a further 5.13% in EP413 taking its interest to 55.606%. With this stake it will be well placed to participate in the upside in the event that the evaluation proves shale to be a viable commercial proposition. The permit is adjacent to AWE's L4 (Woodada) permit where that company is currently conducting a shale gas test program and has recently reported that gas was released from initial core. Norwest views this as significant as positive results at Woodada are likely to reflect favourably on EP413.

Meanwhile, in the UK positive results from the resource evaluation of Norwest's Wessex Basin permits completed during the quarter confirm that the Company's decision to position itself in this underexplored basin was the right one.

Whilst Australian exploration activities have continued, during the quarter Norwest also took the opportunity to acquire a further 5% interest in the Jingemia field to provide it with exposure to additional cash flow from the field. With the Company's total interest in Jingemia now 6.278%, this is potentially worth between $750,000 and $1,000,000 per annum.

It was very encouraging that during the quarter the Sinopec/AED Puffin joint venture announced it is working on a revised field development plan to re-establish production from the Puffin field. Re-establishment of production will provide additional cash flow to Norwest with its 1.25% overriding royalty from the Puffin oilfield.

Farm-out negotiations

It had been previously advised that Norwest expected to conclude farm-out discussions for its TP15 permit by the end of March, however with the recent emergence of the shale gas potential in Norwest's Northern Perth Basin acreage the nature of discussions have changed and several new players have come to the table.

Norwest is keen to have any farm-out of its operated Perth Basin permits (EP413 and TP/15) reflect the value of the shale gas potential. Accordingly the farm-out negotiations are taking longer than previously expected, but are likely to deliver a considerably more favourable outcome for Norwest.

Multi Dimensional player in E&P sector

The Directors of Norwest are pleased with these achievements as the company starts to establish itself as a multi-dimensional player in the E&P sector, albeit a junior and at the lower end of the scale. Norwest's portfolio now comprises:

- **Australian exploration** - Advanced exploration plays for conventional oil and gas in WA's Northern Perth Basin with drilling of its TP15 permit scheduled for Q4/2010.
- **UK Exploration** - Strong position in southern England's underexplored Wessex Basin with resource potential unfolding near the BP-operated 500MMmbbl Wytch Farm oil field.

- **Cash flow** - modest, but welcome cash flow from 6.278% equity in Northern Perth Basin Jingemia oilfield and the potential for cash flow to resume from the Puffin oilfield over which Norwest holds a the very valuable 1.25% Over Riding Royalty.
- **Unconventional Shale Gas** – Norwest is well positioned to capitalise on the shale gas play that is emerging in the Northern Perth Basin with interests in permits of over 1,000,000 acres (approx. 4,050sq km) – net 376,211 acres (1,522.5 sq kms) to Norwest.

Northern Perth Basin

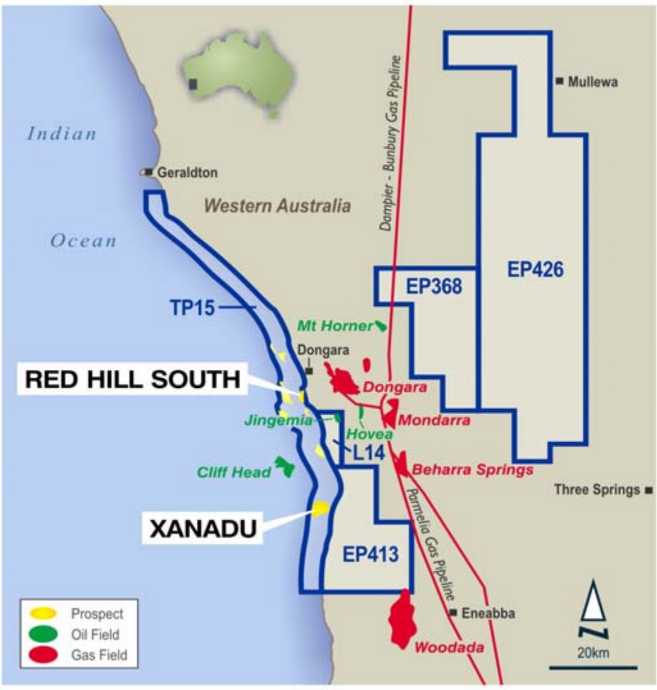
TP/15 (Norwest 100%)
Xanadu and Redhill South

Detailed interpretation of the airborne FTG (full tensor gradiometry) survey conducted during 2009 confirmed the structural integrity of the Xanadu and Redhill South prospects. Remapping and potential volumes recalculations of these drill targets have continued preparatory to the Q4 drilling program. Norwest plans to drill at least one, and possibly both, of these targets. They may be drilled from onshore using directional drilling technology.

Norwest has appointed Aztec Well Construction to assist with sourcing a suitable drill rig and well design and planning and permitting.

Xanadu has a potential of 98MMbbl oil in place and 27MMbbl recoverable. The prime targets are the High Cliff Sandstones, which are the producing reservoirs for several fields in the northern Perth Basin, including the 60MMbbl oil in place, Cliff Head project, 10km north-west of Xanadu.

While the Redhill South prospect, in the north-eastern area of the TP/15 permit, is considerably smaller than Xanadu, it is well defined and will be less expensive and more straightforward to drill than Xanadu. Redhill South has potential for 27MMbbl oil in place and could hold 7MMbbl of recoverable oil.



TP 15 Leads & Prospects	Potential In Place Million Barrels	Potential Recover Million Barrels
Capel	134	40
Smithbrook	74	22
Xanadu	90	28
Red Hill South	27	7
Baldivis	24	7
Rosabrook	10	3
Metricup	7	2
Total	**366**	**109**

Permit	Gross Acres	%	Net Acres
EP368	148,337	20.0	29,667
EP426	583,168	20.0	116,634
EP413	125,603	55.5	69,710
L14	9,835	6.3	620
TP15	159,580	100.0	159,580
Total	**1,026,524**		**376,211**

EP413 (Norwest 55.606%)

Shale gas potential

It is now recognised that the potential for shale gas exists throughout the Northern Perth basin, including Norwest's EP413 permit. EP413 is adjacent to AWE's Woodada shale gas test project where they have recently reported that the first core recovered from the Woodada deep well released gas. AWE has announced that they intend to recover two additional cores in this program and that the cores will undergo detailed analysis in May/June. This will be followed in Q4/2010 with drilling/fracture stimulation and additional coring. At this time they are planning to determine a contingent resource estimate. AWE's 2011 program is to drill and frac wells and to generate first gas sales. In addition they expect to book initial reserves. Norwest considers that the progress made by AWE at Woodada is very significant, particularly its plans for the remainder for 2010 and as well 2011 all of which reflects favourably on the shale gas potential of EP413.

AWE holds 44.14% in EP413 and Norwest is working in conjunction with them to evaluate the potential of the permit.During the quarter Norwest conducted a preliminary review of drilling data from a number of wells drilled previously in the permit. The drill data clearly indicates that three shale sequences (the Kockatea Shale, the Carynginia Formation and the Irwin Coal Measures) that underlie the basin exist in EP413. Furthermore, the shale is up to 1,000 meters thick in some areas of EP413.

Over the coming months Norwest and AWE plan to evaluate all wells within EP413 in order to rank the different shale sequences within the permit. This will determine the most suitable location to drill an investigative well in Q4/2010. In conjunction with this, all available core and cuttings from old wells will be collected for quantitative analysis.

The well to be drilled in Q4/2010 will focus on the recovery of core for analysis to determine the presence of gas within the shale and to assess its properties. In the event of positive results from this program, the joint venture will renew the permit for a further five years to enable it to fully evaluate the commercial potential that could lead to development.

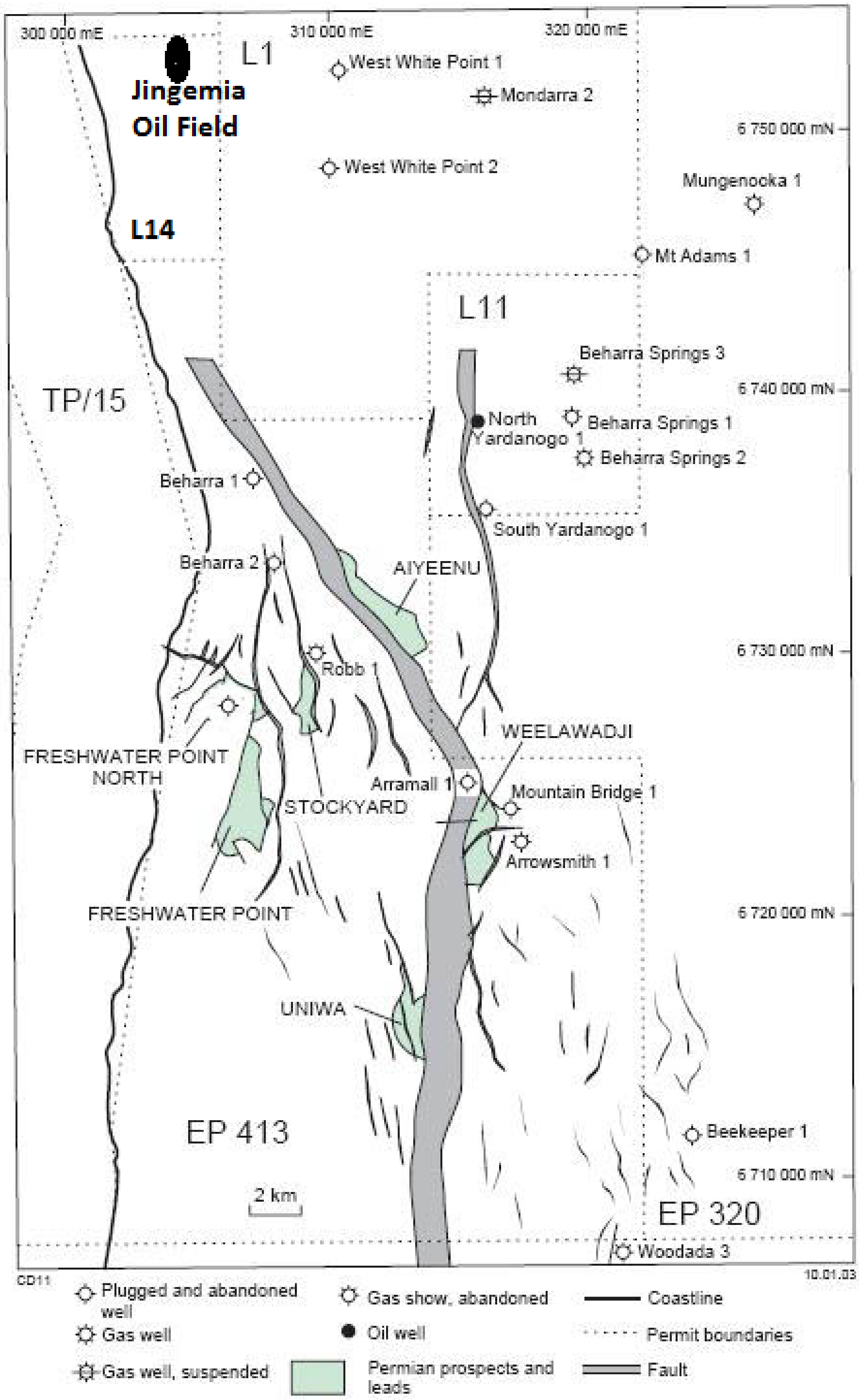
EP413 is well located for shale gas commercial development. It is close to the Dampier to Bunbury gas pipeline and the WA gas market is very strong.

Norwest has appointed Moyes and Co. a Dallas based consulting group to advise on its shale gas activities.

Conventional oil and gas

EP413 offers more than just shale gas potential. The permit has been underexplored and considerable potential remains for conventional oil and gas.

A number of leads and prospects require further evaluation as potential conventional drill targets. One of these is the Arrowsmith-1 gas well which was drilled in 1965 by WAPET and on testing flowed at 4MMcfd before being plugged and abandoned. Other leads and prospects that warrant consideration include: Robb, Aiyeenu, Stockyard, Weelawadji and Uniwa. All of these leads and prospects will be evaluated in the process of conducting the shale gas program.



Jingemia oil field (Norwest 1.278% – increasing to 6.278%)

In February Norwest announced that it had reached agreement with Victoria Petroleum Offshore Pty Ltd, a wholly owned subsidiary of Victoria Petroleum NL, to acquire its 5% stake in the L14 lease, including Jingemia for A$491,250. This will increase Norwest's equity in the field to 6.278%.

Formal documents are in the process of being executed by the parties and the transaction is subject to approval and registration by WA's Minister for Mines and Energy.

The field has several production years ahead of it and has the potential to provide a steady net cash flow of around $750,000 to $1 million per annum to Norwest

During the quarter the Jingemia field produced 49,543.95 barrels with 633.17 net to Norwest for revenue of A$51,404.29. As the acquisition of the Victoria Petroleum stake has not yet settled the above statistics relate only to the 1.278% interest. Jingemia's is still producing under budget due to equipment issues.

Enhanced Oil Recovery

Jingemia has to date produced 4,275,165bbl out of an estimated oil in place of 12MMbbls. It is currently recovering 39% of in-place oil, leaving significant potential to increase the recovery rate. Simulation work predicts the field should recover 44%. The nearby Hovea field is recovering 63%. Accordingly, the operator of the Jingemia field, Origin Energy, has recommended the JV evaluate an enhanced oil recovery (EOR) program. This evaluation is currently in progress.

A chemical EOR is considered the most likely technique to be commercially viable. The most promising technologies are Surfactant Flooding and Surfactant Polymer Flooding. These techniques are used successfully in other projects elsewhere and could add further production life to the field.

EP 368 and EP426 – North Erregulla (Norwest 20%)

The results of the FTG survey over the North Erregulla conducted in September 2009 are currently being interpreted by Norwest's consultants. The preliminary review in September of the detailed Bell FTG report shows basement highs in the prospect that were not apparent in previous seismic interpretations.

Meanwhile, the operator of the joint permits covering North Erregulla has begun reprocessing selected seismic lines over the North Erregulla prospect ahead of a 3D survey to assist in defining a drill target for drilling in Q4/2011.

The North Erregulla oil prospect straddles the boundary of EP368 and EP426 permits. The structure contains several prospective reservoirs that are proven hydrocarbon producers elsewhere in the onshore northern Perth Basin. Based on the current mapping, the entire North Erregulla prospect has the potential to have trapped up to 28MMbbl of recoverable oil if the structure is filled to its current mapped spill point.

Timor Sea

Puffin (Norwest 1.25% ORRI)

During March, 40% equity participant in the Puffin JV, AED Oil Ltd advised that the JV was in the final stages of recording 3D seismic over the Puffin field in the Timor Sea as it works on establishing new drilling targets and a revised field development plan.

They reported that acquiring ring 3D seismic over AC/P22 would assist in defining future exploration, appraisal and development plans for Puffin and they also advised that they were working on a revised field development plan to re-establish production from the Puffin field.

Production from Puffin has been suspended since last May after Sinopec and AED terminated Sea Production's charter contract for the use of the Front Puffin floating, production, storage and offtake vessel for alleged breaches related to occupational health, safety and the environment.

AED has a 40% stake in the Puffin field while Chinese major Sinopec has 60%.

Norwest has a 1.25% over-riding royalty interest which covers the entire AC/P22 permit and any production derived within the bounds of the permit.

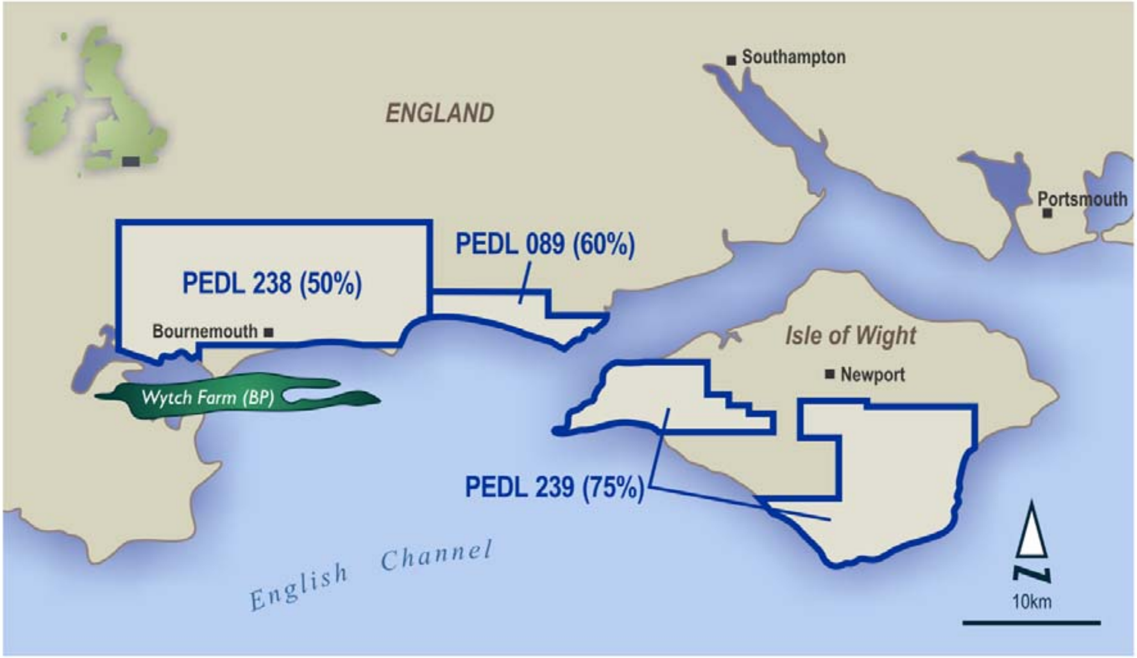
Wessex Basin, United Kingdom

PEDLs 238, 089 and 239

A regional geology and geophysical and resource evaluation of Norwest Energy's onshore southern England permits conducted during the quarter has identified seven leads that could be matured for drilling.

PEDL238 Norwest - 50%	**STOOIP P50 MMbbl**	**P50 risked recoverable MMbbl**	**P50 unrisked recoverable MMbbl**
Mooneye	134.7	3.88	53.88
Sockeye	19.6	0.42	7.84
Hammerjaw	42.7	2.34	13.52
Coho	26.9	0.57	10.76
Beluga	22.3	1.45	8.92
PEDL 089 Norwest – 60%			
Beluga	17.3	1.12	6.92
Bluegill	8.6	0.50	3.44
PEDL 239 Norwest – 75%			
Razorback	43.1	2.09	14.12

Note: *The leads have been re-named to adopt a "fish" theme.*



In conjunction with the resource evaluation, Norwest conducted an economic scoping study over a range of current onshore producing fields throughout the UK. The study provided a matrix of economic results to enable Norwest to decide on whether to proceed with continuing work to appraise its onshore opportunities.

The study indicates a minimum volume of 400,000 barrels of oil and 4-5 billion cubic feet of gas to be the commercial threshold for a UK onshore discovery.

The resource evaluation has determined that every one of these leads has the potential to exceed the minimum threshold of 400,000 barrels of oil, providing encouragement for Norwest to conduct further work to de-risk the leads into drillable prospects."

While southern England is not recognised as prime oil and gas country, the region's Wessex Basin contains Europe's largest onshore oil and gas field, the BP-operated Wytch Farm, which has estimated original reserves of 500MMbbl (400MMbbl produced to date).

Since Wytch Farm's discovery in 1973, no other significant oil field has been found in the Wessex Basin, which remains underexplored.

Norwest is operator of three Wessex Basin permits, PEDL238 (in Dorset and immediately north of Wytch Farm), 089 (the Hurst Castle project area, in Hampshire) and 239 (Isle of Wight).

Norwest is pleased with the results of the evaluation as the confirmation of leads is a major advance and indicates the potential for multiple drillable prospects within the our permits. Although the lead sizes are considerably smaller than the giant Wytch Farm field, the proximity of the leads to Wytch Farm, together with commercial thresholds in the 400,000 barrel range, indicates the chances of achieving future commercial success are significant.

Corporate

During the quarter Norwest placed 56,525,000 fully paid ordinary shares at an issue price of $0.023 cents per share to raise a $1,300,075 before brokerage. The shares were issued to clients of Paterson Securities Ltd who were paid a fee of 5% for managing the issue.

Peter Munachen
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