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29 October 2010
Quarterly Activities Report

Norwest Energy reports for the quarter ended 30 September 2010

HIGHLIGHTS

- Landmark farm-out deal signed with Government of India upstream company Bharat PetroResources Limited for $15 million in exploration and drilling funding for TP/15 and EP413 projects:
- Share Purchase Plan raises $2.975m from the issue of 114,423,085 shares at $0.026 per share (2.6cents).
- Negotiations progressing with rig operators to secure rig slots in Q1/2011 for Redhill South and EP413- Arrowsmith #2.

Overview

Farm-out to Bharat PetroResources Limited executed

On 17 September 2010 Norwest Energy NL ("Norwest" and ASX: NWE) and major Indian energy explorer, Bharat PetroResources Ltd ("BPRL"), executed the EP413 and TP15 farm out documents.

The documents were signed by BPRL and Norwest Energy in Perth at a signing ceremony attended by a high level delegation from India comprising the Chairman and Managing Director of BPCL, Mr. S. Radhakrishnan and Managing Director of BPRL, Mr. D. Rajkumar.

The transaction requires BPRL to provide $15 million in exploration and drilling funding, to earn 27.803% in the EP413 shale gas permit and 50% in TP/15.

$10m of the funding package is to be applied to the EP413 shale gas drilling/evaluation activities and $4.5m to G&G and drilling on the Red Hill South prospect in TP/15. Within the $15m funding package, is a provision for the reimbursement of $500,000 to Norwest for past costs.

Norwest will not be required to provide funds for EP413 activities until Bharat has contributed $10m on the shale gas activities. Thereafter Norwest and Bharat will contribute 27.803% each to all continuing EP413 project costs.

Under the TP/15 farmout agreement, for BPRL to earn a 50% interest in the permit it will be required to provide $3.5m towards Redhill South drilling costs and Norwest $2m on a dry hole untested basis. Thereafter the parties will contribute equally.

The transaction is subject to approval and registration by the Western Australian Department of Mines and Petroleum. It is also conditional upon BPRL obtaining written notice from the Treasurer, that there are no objections under the FIRB Act or Australian foreign investment policy to the proposed acquisition by BPRL of the farm-out interests.

About BPRL

Bharat PetroResources Ltd is a wholly owned subsidiary of the jointly owned Indian government and public sector company, Bharat Petroleum Corporation Ltd (BPCL) is one of India's largest refinery and petroleum products distribution operators.

BPCL is quoted on the Bombay Stock Exchange and is listed at number 307 in the 2010 Global Fortune 500.

BPRL is the exploration arm of BPCL with both Indian and worldwide exploration projects.

Northern Perth Basin

TP/15 (Norwest 100% - reducing to 50%)
Red Hill South and Xanadu

Red Hill South

Activities during the quarter were directed to finalising the approval and planning documents for the drilling of the Redhill South Well and sourcing a suitable drill rig.

All documentation is now complete except for the details and specifications of the drill rig that will be contracted to drill the Redhill South well.

Norwest has identified a drill rig suitable to drill the well and is in negotiations with the rig operator to determine its availability and to secure a drill slot for Q1/2011. Following that the application for approval to drill will be lodged with the Western Australian Department of Mines and Petroleum (DMP).

As reported last quarter remapping of the Redhill south prospect resulted in the estimate of potential recoverable oil being increased from 7MMbbl to 9MMbbl. The Red Hill South target reservoir is at a depth of 1,580 metres (TD is at 1,910 metres) and is approximately 100 metres offshore. The well will be drilled from an onshore location about 200 metres inland and approximately 3km south of Port Dennison.

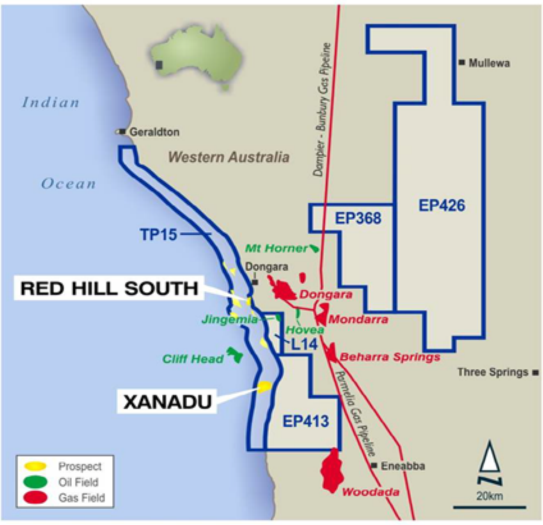
Due to the delays associated with the sourcing of a suitable drill rig Norwest was granted approval by DMP to suspend the permit work obligations and extend the permit period until 26 August 2011 to allow sufficient time to source a rig and drill the Red Hill south well.

Once all DMP and FIRB approvals are received and a rig is contracted, drilling will proceed as soon as is practical.

Xanadu

No work was conducted on Xanadu during the quarter.

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.



	Potential (million barrels)	
TP 15 Leads & Prospects	**In Place**	**Recoverable**
Capel	134	40
Smithbook	74	22
Xanadu	90	28
Red Hill Sth	34	9
Baldivis	24	7
Rosabrook	10	3
Metricup	7	2
Total	**373**	**111**

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

EP413 (Norwest 55.606%- reducing to 27.803%)
Unconventional - Shale gas potential

During the quarter Norwest also focussed on the planning for the proposed Arrowsmith#2 well. It is proposed that this well will be drilled in Q1/2011 when a rig is expected to become available. Arrowsmith was drilled in the sixties and flowed gas from the Caryinginia at 4MMcf/d. The objectives of Arrowsmith #2 are to recover core from each of the three shale sequences, to drill to basement to test conventional targets and then to plug back and drill horizontal the Caryinginia to test for production from the natural fractures and if necessary run hydraulic fracs.

There is only one drill rig currently operating in the Northern Perth Basin and for that matter, Western Australia, that has the capacity to drill the Arrowsmith #2 well - the Weatherford Rig 826. Its current commitments are such that it will not be available until mid to late Q1/2011. The EP413 permit conditions require that a well is drilled by 1 February 2011. Given the rigs commitments, it is not conceivable that the well could be drilled by then. Accordingly to provide sufficient time to drill Arrowsmith #2 and in anticipation of normal or unforeseen delays Norwest as operator of the EP413 joint venture has applied to DMP to suspend the permit work obligations and extend the permit period until 1 August 2011. Whilst Norwest has sought an extension to 1 August 2011, subject to receiving all DMP and FIRB approvals, it is the intention to drill Arrowsmith#2 as a matter of priority and as soon as is practicable with a target of end Q1/2011.

DMP is well aware of the lack of drill rigs and service equipment in Western Australia and the Western Australian Government is set to appoint a drilling expert to assist with plans to mobilise drilling rigs and equipment to help unlock the state's unconventional gas potential. Norwest is encouraged by this Government initiative as additional equipment and services will be of great benefit to the industry and in particular Norwest and its partners in these formative days of the shale gas activities.

Norwest has a positive view of the shale gas potential in EP413 and the drilling of Arrowsmith #2 will be the first major step in the Northern Perth Basin to confirm this point of view. Whilst it is still some time away before drilling commences it must be remembered that less than a year ago Norwest had just a 1.278% interest in this permit and its potential for shale gas potential was not commonly known. Norwest now has Bharat as a funding partner and will go forward in the project with a 27.803% interest. This is a meaningful interest in a project of this quality and long term potential.

Jingemia oil field (Norwest 6.278%)

During the quarter, the Jingemia field produced 32,552 barrels with 2,044 net to Norwest for revenue of A$165,896. These figures are based on Norwest's equity of 6.278% post the acquisition of Victoria Petroleum's 5% equity. The transaction with Victoria Petroleum has now settled.

Current production is under budget due to technical issues with the J8 jet pump. A work over is to be conducted to return the well back to normal production of between 300 to 400bbl/d.

The field still has several production years ahead of it, but operator Origin has indicated that it will not attain the previously predicted level of production of circa 1000bbl/d. As a consequence the anticipated cash flow to Norwest, previously reported at $750,000 to $1 million per annum, has been downgraded to about $650,000 for 2010/2011.

Enhanced Oil Recovery

Jingemia has to date produced approximately 4.3MMbbls 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, Jingemia's operator, Origin Energy, has recommended the JV evaluate an enhanced oil recovery (EOR) program. 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.

This evaluation has been completed and the results are awaited. In the event that the results are positive a laboratory pilot study will be conducted before deciding to proceed to full scale operations.

If the EOR is implemented it is expected that the Jingemia field will produce a further 600,000bbl.

EP368 and EP426 – North Erregulla (Norwest 20%)
North Erregulla

During the 2009/2010 year, joint venture operator, Empire Oil & Gas NL re-mapped the seismic data set over the North Erregulla structure, which straddles the boundary between EP368 and EP426.

New interpretation by Empire has outlined the largest undrilled fault block structure in the northern Perth Basin. Estimated potential recoverable reserves, if the structure is filled to the oil/water contact defined by North Erregulla-1, are 9 million barrels oil in the Arranoo Member and 57MMbbl in the Dongara Sandstone. These potential reserve estimates are conceptual and will require future exploration drilling to confirm them.

Empire also reported that there was potential for an estimated 300 billion cubic feet of gas to be trapped in deeper reservoirs of the Irwin River Coal Measures and High Cliff Sandstones. The bulk of the structure as currently mapped is located in EP 368.

Empire is currently reprocessing the existing seismic data set and will incorporate the interpretation of this reprocessed seismic into the interpretation of the airborne Full Tensor Gradiometry data, recorded in late 2009, to assist in the delineation of the North Erregulla structure. Due to the complexity of the faulting over the structure, Empire considers the appropriate program for the EP368 and EP426 permits will be to record a 3D seismic survey before drilling this exciting prospect in this oil-prospective part of the northern Perth Basin. Planning of this 3D seismic survey is in progress.

Empire 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.

Timor Sea

Puffin (Norwest 1.25% ORRI)

AED in a recent conference in Hong Kong reported that there was increased prospectivity in the Prion area within AC/P22, with the potential of a big structure and high quality sands. AED also reported P10 undiscovered resources /un-risked Oiip of 489MMbbl from 4 leads in the Prion area.

During the previous quarter, AED reported that the acquisition of the Fugro Cartier 3D seismic survey over AC/P22 was completed. It is currently being processed with the final delivery and interpretation expected in Q4 2010. AED has a 40% stake in the Puffin field while Chinese major Sinopec has 60%.

Norwest has a 1.25% overriding 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

Activities for the quarter were minimal and mainly focused on planning for the 2011 seismic acquisition program over PEDL 238 and 239.

In the June quarter 2010, Norwest reported that it had made significant progress toward de-risking and proving up value in the UK licenses by completing a detailed technical assessment of leads within each area. Table 1 shows the results of the technical evaluation.

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

Table 1 Summary of Lead potential reserve sizes resulting from detailed technical study.

In conjunction with the resource evaluation, Norwest also conducted an economic scoping study over a range of current onshore producing fields throughout the UK. The study provided a matrix of economic results that indicated a minimum volume of 400,000 barrels of recoverable oil and 4 to 5 billion cubic feet (bcf) of gas to be the commercial threshold cut-offs for a future UK onshore discovery within our acreage.

When comparing the leads in Table 1 with the cut-off values, every lead listed has the potential to exceed the minimum thresholds for commerciality. The results of these studies have provided encouragement for Norwest to conduct further work to de-risk these leads into drillable prospects.

While historically the southern England area is not been recognised as prime oil and gas country, as compared with the offshore North Sea, the region's Wessex Basin does contain Western Europe's largest onshore oil and gas field, the BP-operated Wytch Farm Field. Including North Sea fields, Wytch Farm is the sixth largest field in the UK and is classified as a 'giant field' with estimated original reserves of 500MMbbl and over 400MMbbl produced to date.

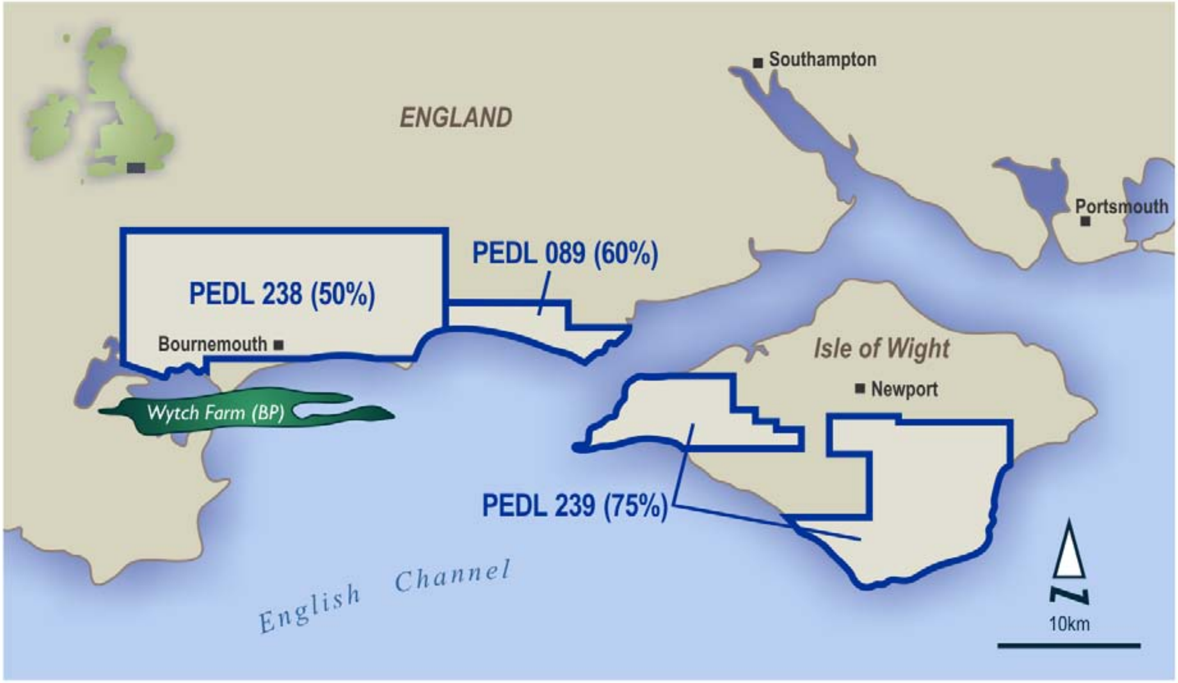
Since Wytch Farm's discovery in 1973, no other significant oil or gas field has been found in the Wessex Basin, which from Norwest's point of view remains underexplored. Onshore England has been overshadowed by the high profile North Sea petroleum province, but as working the North Sea becomes more difficult and more expensive, low-cost onshore exploration in the UK will start to look more and more attractive especially to smaller exploration companies.

Norwest's UK acreage is located near the Wytch Farm field with our closest lead – 'Hammerjaw' in PEDL 238 being just 2km north of the Wytch Farm oil/water contact.

Overall, the confirmation of leads from technical work completed in 2010 is a major advance for Norwest and indicates the potential for multiple drillable prospects within our permits. Although the lead sizes are considerably smaller than the giant Wytch Farm field, the proximity of our leads to Wytch Farm, together with commercial thresholds in the 400,000 barrel range, indicates that if a discovery were made in the future, the chances of achieving commercial success are indeed significant.

Earlier in the year Norwest and its partner Wessex exploration applied for a licence in The United Kingdom 26th Offshore Bid Round over the offshore area immediately south of our current interests on the mainland. This area has not been previously opened in an area-wide bid round. The joint venture parties have had a meeting with the UK government Department of Energy and Climate Change, and it is expected that the results of the 26th Bid Round will be announced by the end of 2010.

The offshore potential identified in the offshore area applied for, is a direct consequence of Norwest's regional mapping for the evaluation of the on-shore licences, and shows the Steelhead lead (previously the Hurst Castle prospect) to be a large prospect with the high potential to have entrapped secondary migrating hydrocarbons from the eastern end of the Wytch Farm oil field.



Corporate - Share Purchase Plan

In September Norwest raised $2,975,000 from Share Purchase Plan (SPP) that was offered to all shareholders. 114,423,085 shares were issued to applicants at an issue price of $0.026 per share (2.6cents).

These funds will be applied to UK and other Australian exploration activities, operating overheads and to provide interim bridging funding of TP/15 and EP413 activities pending the farmout agreement with BPRL receiving all necessary Australian authorities approvals. Any funds outlaid by Norwest during this bridging period will be recovered from the BPRL.

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Norwest Energy NL

29 October 2010

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