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31 January 2011
December Quarterly Activities Report

HIGHLIGHTS

- Norwest signs up Hunt rig 2 to drill Red Hill South
- Site works commenced at Red Hill South drilling lease and on target for February14 spud.
- Landmark deal signed with Bharat PetroResources Limited in September 2010 receives approval and registration from Western Australian Department of Mines and Energy in January 2011
- Perth Basin shale gas player AWE Limited estimates middle interval of Caryngina shale sequence may hold Gas in Place of 13 to 20 trillion cubic feet and opines "*the commercial drivers in the Perth Basin could allow this shale gas opportunity to provide Australia's first commercial venture in the growing global phenomenon of "unconventional" Shale Gas production*" an opinion also shared by Norwest
- 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 raises $1.25m to supplement working capital
- "Piggy Back" option offer to all shareholders announced 31 December 2010 providing long term investment opportunity.

Executive Summary

Following the busy September quarter, and in fact, the first nine months of 2010, resulting in execution of the Bharat PetroResources (BPRL) $15m exploration funding/farmin deal, the busy pace continued in the December quarter.

The focus during the quarter was very much on the planning for the Red Hill South Well and securing a drill rig. These efforts resulted in Norwest's wholly owned subsidiary Westranch signing a drilling contract with Hunt Energy& Mineral Co. Australia Pty Ltd on 14 January 2011. It was very significant, that also on 14 January advice was received from the Western Australian Department of Mines and Petroleum (DMP) that the BPRL transaction and been approved and registered - the last hurdle required to admit BPRL into the permits and very importantly start the flow of funding by BPRL pursuant to the Farmout agreement

The potential 9mbbl Red Hill South project is on target to spud 14 February 2011. It is expected that the top of reservoir target at 1,580 meters should be reached by the end of February.

Whilst the prime focus has been on Red Hill South, there has been considerable effort applied to the planning and approval process for Arrowsmith#2 as well as continuing negotiations with drill operator Weatherford to secure a rig slot for April 2011. In conjunction with this planning process, further G&G work has been commissioned to support prior work and to ensure that the EP413/ Arrowsmith #2 well objectives are optimised.

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) and 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 - 50%)
Red Hill South and Xanadu

Red Hill South
The Red Hill South prospect has potential of 34MMbbl oil in place and 9MMbbl recoverable. The target reservoir is at a depth of 1,580 meters (TD is at 1,910 meters) and is approximately 100 meters offshore. The well will be drilled from an onshore location approximately 3km south of Port Dennison and about 200 meters inshore.

A G&G review was conducted during the quarter to affirm the selected drill target with no change determined to the drill target or the estimated potential recoverable oil.

During the quarter access to the onshore licence L2 was granted by DMP to Norwest that enabled it to commence site works in December to prepare the lease for drilling. All site works are on course to be ready to receive the Hunt Rig 2 to spud on 14 February 2011.

The estimated dry hole cost of the well is $5million. Norwest will contribute up to $2m of these costs and BPRL up to $3m. Any additional costs will be shared equally.

Following the execution of the Hunt rig 2 contract mobilization of the rig from South Australia has commenced. All other drilling service contracts are in the process of being finalized and all necessary casing and well heads have been purchased.

Xanadu

As the main focus was on Red Hill South work on Xanadu was restricted to reviewing previous seismic data in conjunction with 2009 FTG results.

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.

EP413 (Norwest 27.803%) - Unconventional - Shale Gas potential

Current activities and planning

Norwest and its EP413 JV partners are planning to drill Arrowsmith #2 in April 2011 to evaluate the potential of the shale in the Arrowsmith area where gas previously flowed from the Carynginia. The objectives of Arrowsmith #2 are to recover core over the most prospective shale sequences, to drill to basement to test conventional targets and then to plug back and drill horizontal in the Caryinginia to test for production from the natural fractures and if necessary run hydraulic fracs.

Norwest is negotiating with Weatherford to drill the well with the 826 rig. Leading into the drill program a G&G program, comprising rock mechanic studies, seismic reprocessing, mapping and petrophysics commenced in December 2010 to support the well objectives and identify the ideal drill location.

Aztech Well Construction, the consultants to the drilling program have made progress with the design of the well and the planning and approval process. In addition long lead items are being sourced and ordered to ensure availability for April drilling.

Emergence of Norwest as a Shale Gas player in the North Perth Basin
A year ago Norwest had just 1.278% interest in this permit and it's potential for shale gas potential was not commonly known. During the year Norwest improved its equity in the permit by purchasing the interest of both Origin and Victoria Petroleum to increase its equity to 55.606% at a cost of circa $100,000. It subsequently farmed out 27.803% interest to BPRL whereby BPRL agreed to provide $10m to cover 55.606% in drilling costs to earn its interest

Throughout 2010 Norwest evaluated EP413 for its shale gas potential with the knowledge that in the 1960's the Arrowsmith #1 well, situated in EP413, when tested was estimated to produce gas from the Caryinginia at rates as high as 4 million cubic feet per day without fracture stimulation, before subsequently declining.

Also during the first half of 2010 AWE (its subsidiary ARC Energy holds 44.252% in EP413) commenced its shale gas evaluation of the Woodada Deep-1 by re-entering the well and recovering core from the Caryinginia shale interval. The Woodada Deep well is 25km south of the Arrowsmith #1 well and the Woodada permit abuts the southern boundary of EP413. The results of the Woodada core analysis highlighted the potential of the middle interval of the Carynginia Shale as comparable to some of the productive shale units in the USA.

The Perth Basin, in addition to the Caringinia, also hosts the Kockatea and Irwin River Coal Measures shale intervals, and like the Carynginia, are present throughout the basin, all of which, have Shale Gas potential.

Whilst further work is required to ascertain the commercial viability of the Perth Basin shale, its potential for commercial development is greatly enhanced by its close proximity to the Dampier to Bunbury, and Parmelia gas pipelines that feed the South West domestic market. There is strong demand for gas in the Western Australia market that is underpinned by a domestic gas price of $8 or more, per thousand cubic feet (mcf) all of which augers well for Perth Basin shale gas players.

In November 2009, AWE Limited, announced that following its assessment of the Perth Basin Shale Gas Play, had indentified a very large potential gas resource in the Caryinginia in its acreage (which also includes its 44.252% interest EP413). In particular following the analysis of the Woodada Deep-1 core, it estimated that the middle interval of – The Caryniginia Shale - alone may hold Gas in Place of 13-20 trillion cubic feet (Tcf).

The US shale industry estimates recoveries of greater than 20% of Gas in Place and therefore in the event of successful flow testing, the recoverable reserve potential of this key area could be higher than 4 Tcf of gas. AWE also reported that in their view the commercial drivers in the Perth Basin could allow this shale gas opportunity to provide Australia's first commercial venture in the growing global phenomenon of "unconventional" Shale Gas production.

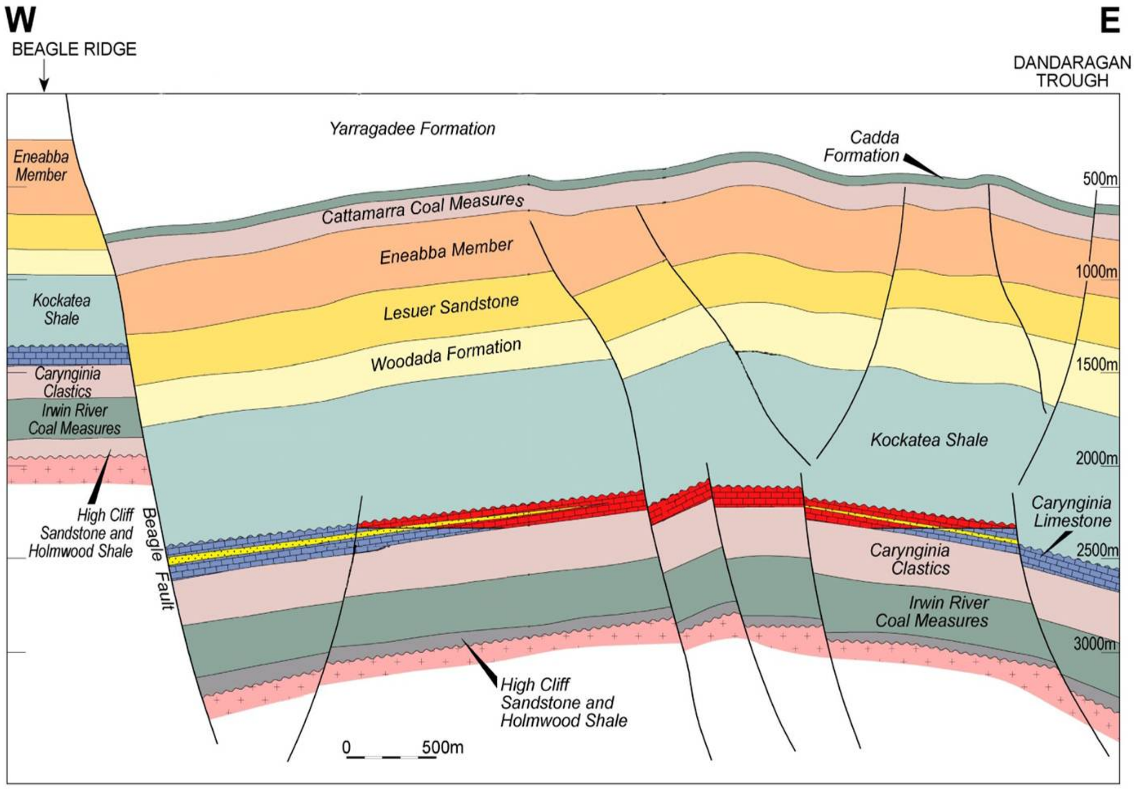
Whilst Norwest cannot claim ownership to this large volume of potential of Gas in Place as it would be spread throughout the Basin, it does support the views of AWE for the potential of the Caryinginia and particularly for a reasonable volume to exist within EP413. Norwest's review of the data suggests that around 40% of the total EP413 permit area of approximately 125,000 acres has the potential for the presence of shale that have the right characteristics to produce gas. Norwest has taken a different approach in assessing the long term potential of EP413 and based on a number of assumptions have created a potential development model indicating that from an area of 4,000 acres alone, a possible 250 Billion cubic feet (Bcf) could be produced. If this is extrapolated out for the possible 50,000acres of Shales in the permit and assuming a 60 metre shale interval, the Carynginia could produce over 3Tcf gas over a very long period.

Initial Development Assumptions

- *50 wells drilled at 12 wells per year*
- *Each well produces from 80 acres and 60 M of shale*
- *Initial production 4.6 mmscf/d*
- *Sharp initial decline tapers to 20% log norm*
- *Each well produces 5.0 BCF cumulative production*
- *Based on this model the expected cumulative production is 250 Bcf over the field life of 20 Years*

  - *NB Production data based on Eagle Ford / Sugar Loaf data*

In the event that the shale gas potential is also proven in the Kockatea and the Irwin River Coal Measures the potential volumes of Gas in Place and ultimate production would increase substantially.



Jingemia oil field (Norwest 6.278%)
During the quarter, the Jingemia field produced 20,250barrels with 1,288 net to Norwest for revenue of A$104,408. Production was down considerably due to the continued problem with pumps and for a greater part of the period the operations were shut in while a work-over was conducted. During December operations were reinstated with production running at circa 350bbls/d.

Enhanced Oil Recovery
This evaluation has been completed and interim results are promising. It is proposed to implement the EOR as soon as the relevant key chemicals are delivered into Australia from the US where EOR is applied regularly. Once the process is implemented it will take several months for the process to become effective. When fully operational it is expected that up to an additional 1 million barrels may be recovered.

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 evaluated the enhanced oil recovery (EOR) program, the results of which are promising. 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.

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

Current activities
Work on the project during the quarter was directed to planning the 3D seismic survey that operator Empire proposes to conduct at the North Erregulla prospect during the latter part of 2011. It also conducted discussions with parties interested in farming into the joint permits.

Shale gas Potential
In November 2010 Empire announced that it had initiated a review of its Perth Basin permits for shale gas potential. The permits include EP368 and EP426 in which Norwest holds a 20% interest. The results of their review and in particular the findings of the shale gas potential of EP368 and EP426 have not yet been advised to Norwest, however based on its shale gas study of the basin as a whole, Norwest considers that the three shale sequences that are present throughout the Perth Basin - the Kockatea, the Caryinginia and the Irwin River Coal Measures-, will also be present in sections of EP368 and EP413.

Oil and conventional gas potential
Empire has 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.

With the potential for shale gas as well as both oil and conventional gas the two permits have long term potential to add value to Norwest's diversified portfolio

Timor Sea

Puffin (Norwest 1.25% ORRI)
AED Oil Limited (AED) is still awaiting the results of the the Fugro Cartier 3D seismic survey over AC/P22 that was acquired during 2010. They report that depending on the results of the survey they will work with joint venture partner Sinopec to assess the merits of a development program for the existing reserves on AC/L6 and the new potential identified on AC/P22. They also report that there are a number of significant structures apparent on the assessment of the previous seismic over AC/P22 and, following the drilling of Great Auk in 2009, there is confidence in an oil migration model to fill structures identified. AED expects to further report on the potential and timing of a Puffin development by mid-2011. 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 directed mainly to administrative matters of the joint ventures with its partner Wessex Exploration.

The end of December also saw the departure John Michaels the long standing UK based VP Business Development. John's elected not to renew his contract that concluded at 31 December 2010. Norwest acknowledges the service that John provided during his term with the company and wishes him well for the future.

Norwest has been able to obtain the services of UK based David Hedderwick to represent the Company in the UK and deal with project administrative matters. David is a very experienced explorationist, predominantly in the minerals area and has strong connections in both the UK as well as Australia.

All exploration will be managed from Perth by Andrew Sutherland, Norwest's consulting geophysicist. Norwest will continue to use the strong consulting team that have successfully supported John Michaels in taking the UK projects to where they are today. These consultants including Professor David Smythe are located in Europe and Canada and have also assisted when required on Australian projects such as TP15 and North Erregulla. Professor Smythe is a specialist in seismic interpretation as well as FTG and made a significant contribution to determine the Red Hill South drill target.

The proposed December quarter planning for the proposed Q2/2011 2D seismic acquisition program over PEDL 238 and PEDL 239 was delayed and will occur in the coming months with the aim to acquire the data during the second half of 2011.

Whilst there was no direct exploration activity Norwest did reach agreement during the quarter with Northern Petroleum (GB) Ltd to exchange data in respect to Isle of White. Northern will exchange data from Sandhills - 2,2z wells drilled by them on PEDL 098 that is in close proximity to Norwest's PEDL239 permit on the Isle Of White in exchange for the FTG data acquired by Norwest over the PEDL 239 that covers a significant part of the Isle of White. The well data will be of assistance in planning the 2D seismic program.

Earlier in 2010 Norwest together with Wessex Exploration applied for an offshore licence in the 26th bid round. A significant number of permits that were applied for in the round have been awarded and Norwest is awaiting advice if its bid was successful. Norwest will hold a 65% interest in the permit if its application is successful. The application area is offshore to the north, west and south of the western end of the Isle of White and to the south of PEDL 089 and south east of PEDL 238.

Previously 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.

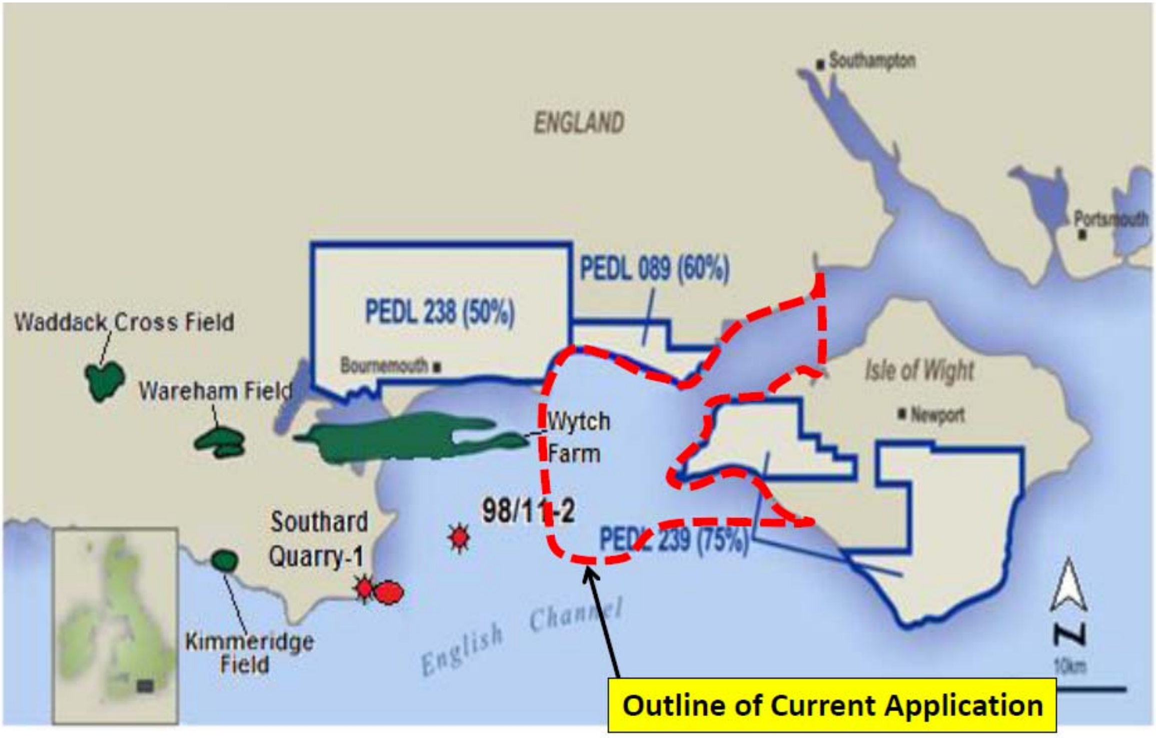
When comparing the leads in Table 1 with the cut-off values, every lead listed has the potential to exceed the minimum thresholds for commerciality. The results of these studies have provided encouragement for Norwest to conduct further work to de-risk these leads into drillable prospects.

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.



Corporate

Rights Issue

On 29 December 2010 the Company announced a non-renounceable rights issue of options at an issue price of $0.0075 each to raise $784,404.

The Non-renounceable Entitlement Offer has been made on the basis of One (1) Norwest Primary Option for every Seven (7) existing Norwest Shares held at 5pm Perth time on 19 January 2011 ("Record Date"). The Primary Option issue price is $0.0075 per option entitling the holder to subscribe for one share for every option held at a price of $0.10 per share on or before 30 June 2012. The Primary Option Issue will raise approximately $784,404 before costs and will be fully underwritten by the Directors of Norwest. The Company will seek to have the Primary Options quoted on ASX.

In addition, in the event of the holder of a Primary Option exercising their option prior to 30 September 2011, to convert the option to a fully paid share by paying the amount of $0.10 per share, then the party pursuant, to an offer document to be registered in October 2011, will be offered the right to apply for a further option ("Secondary Option") that will entitle the holder to exercise that option on or before 30 June 2013, at an exercise price of $0.20 per share.

Primary Options not exercised by 30 September 2011 will continue until 30 June 2012 however the future entitlement to the "Secondary Option" will lapse at 30 September 2011 if not exercised by that date. Primary Options not exercised by 30 June 2012 will expire. No funds will be raised by the grant of the Secondary Options and the Company will not seek to have the Secondary Options Listed during the currency of Listed Primary Options.

Placement

On 30 December 2010 completed a placement, through Patersons Securities Limited, of 28,409,091 shares at an issue price of $0.044 each to raise $1,250,000, before costs. The funds provided will be used for Norwest's ongoing Australian and UK exploration activities and to supplement working capital.

Peter Munachen
Chief Executive Officer / Director
Norwest Energy NL

31 January 2011

Competent Person

The summary report on the oil and gas projects is based on information compiled by Mr Andrew Sutherland of Dataco Australasia Pty Ltd. Mr Sutherland holds a Bachelor Degree in Science and has 30 years experience in petroleum exploration.

Mr Sutherland has consented in writing to the inclusion of the information stated in the form and context in which it appears.

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