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ASX Announcement (ASX: NWE)

Exploration Outlook

- **Red Hill South results have potential to improve TP15 prospects**
 - **Immediate focus on Shale gas Arrowsmith#2 scheduled for mid May 2011**

Norwest Energy NL (ASX: NWE) reports that following the decision to plug and abandon Red Hill South it remains positive about its future exploration activities in the Northern Perth Basin.

TP15

Whilst Red Hill South did not deliver sufficient hydrocarbons to be commercial, it was nonetheless a technical success, the results of which will contribute to the greater knowledge and understanding of the other prospects within TP15 that have the potential for over 350MMbbl Oil In Place (OIP) (including the Capel [OIP 134MMbbl] and Xanadu prospects [OIP 90MMbbl]). Once Norwest has fully evaluated the results of Red Hill South it will review all of the TP15 prospects which it considers will result in improved prospectivity.

EP413 Shale Gas Evaluation

Norwest's immediate focus will now be on the shale gas potential of EP413 and in particular the Arrowsmith #2 well that is planned to be drilled in mid May 2011 to evaluate the shale gas potential of EP413. The target in EP413 is the three shale sequences, the Kockatea, the Carynginia and the Irwin River Coal Measures. Arrowsmith #1 was drilled in the sixties and flowed gas at 4MMcf/d from the Carynginia. Arrowsmith #2 will be the first dedicated shale gas well to be drilled in the Northern Perth Basin and Norwest has high expectations for the success of the well.

Media reports by AWE Limited estimate that the middle interval of Carynginia shale sequence in the Basin may hold Gas in Place of 13 to 20 trillion cubic feet. AWE also opines that *"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 shared by Norwest. The Basins close proximity to the Dampier to Bunbury, and Parmelia gas pipelines that feed the South West domestic market is just one of those commercial drivers. Added to that is the 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.

Arrowsmith #2 will be drilled to basement at approximately 3,400m and core will be retrieved from each of the three prospective shales. The well will also test for conventional gas in the High Cliff Sandstone. Following drilling of Arrowsmith#2 the shale sequences will be fracture stimulated to test production flow rates.

The planning and approval process is advanced with the object to drill in mid May. Negotiations are also well advanced with Weatherford to secure rig 826 for mid May when it is expected to complete current commitments.

Norwest (EP413 JV operator) has a 27.803% interest in EP413. Bharat PetroResources Ltd, a Government of India controlled company is farming into the permit by spending \$10m on the drilling program and carrying Norwest through this phase to earn 27.803%. AWE Limited holds 44.252% and a private individual, the remaining 0.142%.

Peter Munachen
Director/CEO
Norwest Energy NL
Competent Person

The technical information contained in this report 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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