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ASX: NWE

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ASX Announcement

Delay of Arrowsmith-2 Hydraulic Fracture Stimulation operations

Norwest Energy NL (ASX:NWE) is currently in the process of conducting an evaluation program on the EP413 permit in the Northern Perth Basin. The Arrowsmith-2 well was successfully drilled in June 2011 as a proof of concept well to assess the shale gas / tight gas potential of the permit area. In order to complete this assessment, Norwest will be running a hydraulic fracture stimulation program on this well. Hydraulic fracture stimulation is a method used routinely in the oil and gas industry in both conventional and unconventional exploration programs.

However due to a third party referral of this program to the Environmental Protection Authority (EPA), the start date for the hydraulic stimulation program of Arrowsmith-2 has been deferred. Norwest was planning to commence the stimulation program on 1st September, however must now wait until the EPA has made a decision on whether or not to carry out an assessment of the program. Final approval is to be provided by the Department of Mines and Petroleum (DMP), and Norwest is confident that all supporting documentation required by the DMP will demonstrate full compliance to all necessary regulations and guidelines (To view, go to dmp.wa.gov.au/12872.aspx). At this time it is unclear how long this overall process will take, however it could be three months or more before it is concluded.

To date, the Arrowsmith-2 evaluation program is considered a success, with core and logging results clearly indicating that all four targets contain significant gas in place, however as expected, will require stimulation to fully evaluate.

Commenting on the project deferral, Norwest CEO, Peter Munachen said, "Despite this delay we remain positive that the program will proceed. The Arrowsmith project is breaking new ground and as a pioneer there will always be hurdles to overcome. After all it was just over a year ago that this shale gas play was merely a thought, and is already on the verge of becoming a reality. A delay of circa three months will be considered a thing of the past when, as we expect, the shale gas play in the Basin gets going, with the potential to deliver significant quantities of much-needed gas to the Western Australian domestic market. We just need to be patient. In the meantime Norwest will continue to work closely with both regulatory bodies to ensure this matter is dealt with in a comprehensive and timely manner."

The participants in the EP413 Joint Venture are:

Norwest Energy NL (operator)	27.945%
Arc Energy Limited	44.252%
Bharat PetroResources Limited	27.803%

Peter Munachen
CEO

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