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ASX : NWE

31 December 2011

December Quarterly Activities Report

HIGHLIGHTS

- Norwest awarded 5 offshore exploration licenses in Wessex Basin, UK (30/12/2011)
- Arrowsmith-2 hydraulic fracture stimulation program in place awaiting Ministerial approval
- Positive results from northern Perth Basin SPA-0013 airborne Gravity Gradiometry, Magnetics and DTM survey, providing encouragement for conversion to full exploration license in Q1/2012, extending Norwest's shale gas exploration footprint in the Basin
- Planning under way for onshore 50km 2D seismic program over key UK Wessex Basin PEDL239 prospect - scheduled for Q1/2012
- TP/15 application for renewal submitted to DMP, along with the required five year work program, with a number of highly ranked prospects deserving of further evaluation
- 3D seismic program for North Erregulla prospect straddling permits EP368 and EP426 scheduled to commence February / April 2012, in which Norwest holds a 20% interest
- Successful placing and rights issue raised A\$4.1M in December 2011
- Norwest becomes a founding member of the Onshore Gas Working Group, a group of companies active in Western Australian onshore shale gas exploration

Executive Summary

The December Quarter proved a frustrating one for Norwest, with ongoing environmental review by the Western Australian Minister for Environment and EPA hindering the next phase of assessment of the Arrowsmith-2 shale gas well. The Arrowsmith-2 well was drilled in June 2011 on the EP413 permit to assess the shale gas potential of the northern Perth Basin. As this well is considered an evaluation well for a potentially significant gas discovery, a great deal of effort and expertise has been applied to determine the best possible picture of what this field could hold. Norwest has accumulated a comprehensive dataset of results, and these results suggests that Arrowsmit-2 well (and surrounds) contains all the necessary shale gas indicators across each of the target formations in the well (Kockatea Shale, Carynginia Formation, Irwin River Coal Measures, High Cliff Sandstone) – Norwest now just needs the opportunity to run the hydraulic fracture stimulation and associated well test program to complete the evaluation process.

Norwest Energy is eagerly awaiting the decision from the Minister's Office allowing the Company to continue evaluating this exciting project. As soon as Norwest has the necessary approval from the Minister for Environment, Halliburton will be immediately engaged and committed to the next available timeslot to return the frac spread to Western Australia. The plan is currently to frac the Arrowsmith-2 well in conjunction with two other wells in the Basin in order to keep costs to a minimum (Norwest contribution expected to be ~\$500K, that being it's 27.945% share of anticipated costs in excess of the agreed 'cap' under arrangements with Bharat PetroResources Limited (BPRL)). At the completion of testing, Norwest will be able to high grade target intervals with development potential, scale up flow test results from the vertical well to predict production for horizontal wells, design a program for future development and estimate contingent resource volumes.

As previously noted, there has been a great deal of positive speculation on the potential of the northern Perth Basin to produce shale gas, with the rest of the world looking on with great interest to see how the story unfolds. With Western Australia holding the fifth largest global reserve of shale gas according to the USA Energy Information Agency, Norwest is well positioned to reap the rewards of a discovery, with a large acreage footprint in its portfolio (~1500km²), strategically positioned close to pipelines that service the domestic market of Western Australia. The other commercial drivers for this project are both the prevailing domestic gas price of \$8 - \$12/GJ and a predicted shortfall in gas supply in coming years. The shale gas phenomenon has been a real game-changer in the US, with shale gas now providing 23% of all US energy requirements, and forecast to grow to 46% by 2035.

As well as being active in EP413, Norwest Energy spent the Quarter further evaluating the potential of exploration permit TP/15, and applied for renewal of the permit, including the submission of a 5 year work program to the Department of Mines and Petroleum (DMP). Norwest sees considerable potential in the permit particularly with the portfolio of prospects including Xanadu, with its potential for un-risked oil in place of 90MMbbls. Notwithstanding Norwest's positive outlook in November 2011, BPRL elected to withdraw from the permit and agreed to return its 50% interest to Norwest, taking Norwest's interest back to 100%. The TP/15 exploration permit is located adjacent to the successful offshore Cliff Head oil producer.

The Special Prospecting Authority (SPA) awarded to Norwest in April 2011 is situated onshore along the coastal strip approximately 200km north of Perth, encompasses over 860km² and shows good potential for shale gas/oil exploration. Fugro Airborne Surveys conducted an airborne GGI/Magnetics survey in Q3/2011 and Norwest's evaluation of the data is positive – Norwest now intends converting the SPA to a full exploration license during Q1/2012.

Norwest Energy maintains its 20% interest in the EP368/426 permits. Origin Energy has recently farmed in to these permits with a 3D seismic commitment, which will earn them a 40% interest. Norwest sees shale gas potential in these permits along with conventional potential. The 3D seismic survey is expected to be carried out in February / April 2012.

In exciting developments to end the Quarter, on 30th December 2011 saw Norwest awarded all five permits that were applied for in the 26th Bid Round in the Wessex Basin, UK. Norwest had evaluated these offshore blocks in 2010 that lead to the application. Norwest has also been busy with the currently held PEDL238 (50%) and PEDL 239 (75%). These permits are to the east and south-east of the enormous Wytch Farm project, which had original reserves of ~500MMbbls (over 400MMbbls already produced). Wytch Farm is currently producing 15,000 bbl/d, and was recently sold by BP to Perenco and Premier Oil for \$610M. The new permits awarded to Norwest link PEDL238 and PEDL239. Norwest has already identified seven leads with potential for un-risked recoverable oil ranging from 7.8Mbbls to 53.9Mbbls in the two existing permits.

Due to the increased focus on the shale gas exploration industry in Western Australia, under the direction of APPEA, the main shale gas players in onshore Western Australia formed a collaborative group named the Onshore Gas Working Group during the Quarter. This group was formed to engage government, industry and public support for shale gas exploration by increasing awareness in the industry, developing educational tools to share with interested parties, developing an APPEA endorsed, industry Code of Practice, and assisting government to form a strong legislative framework that supports this burgeoning industry. It is expected that in Q1/2012 there will be a number of useful educational tools including a website and fact sheets to distribute to the wider community.

Table 1 below shows Norwest's current acreage position both in Australia and the UK.

Permit	Location	Type of Permit	Area (100%)	Norwest Interest	Norwest's Area
AUSTRALIA					
EP413	Perth Basin	Onshore	508.3 km ²	27.945%	142.0 km ²
TP/15	Perth Basin	Offshore	645.8 km ²	100%	645.8 km ²
EP368	Perth Basin	Onshore	600.3 km ²	20%	120.1 km ²
EP426	Perth Basin	Onshore	2360.0 km ²	20%	472.0 km ²
L14	Perth Basin	Onshore	39.8 km ²	6.278%	2.5 km ²
				Total	1382.4 km ²
STP-SPA-0013 860.0 km² (offshore – 100% Norwest interest)					
<p>The initial SPA period of six months has concluded which is followed by a further six month option period expiring in April 2012 to convert to a petroleum exploration permit over the SPA area. Based on positive results from the evaluation of data Norwest intends to convert the SPA to an exploration permit.</p>					
UNITED KINGDOM					
PEDL 238	Wessex	Onshore	209.8 km ²	50%	104.9 km ²
PEDL 239	Wessex	Onshore	170.6 km ²	75%	128.0 km ²
				Total	232.9 km ²
Recently awarded licenses (Wessex Basin):					
<p>98/6b, 98/7b, 98/8, 98/12 (part) & 98/13 (split) as part of the UK's 26th seaward oil and gas licensing round, second tranche.</p> <p>Acreage still to be confirmed.</p>					

Table 1. Current acreage position

Northern Perth Basin

EP413 - Shale Gas – Arrowsmith- 2 well (Norwest 27.945% - operator)



Figure 1. Drill site for Arrowsmith-2

In June 2011, Norwest Energy successfully drilled the Arrowsmith-2 well on permit EP413, northern Perth Basin. As reported in the September Quarterly Report, the drilling of the well was extremely successful, with the intersection of all expected target zones of interest, including the Kockatea Shale (450m), Carynginia Formation (250m), Irwin River Coal Measures (330m) and the High Cliff Sandstone (22m).

The next step for this well is to conduct a hydraulic fracture stimulation and well test program in order to fully assess the shale gas potential of the permit area.

Due to an environmental appeal by a third party, Norwest is currently on standby awaiting the decision of the Minister for Environment to allow Norwest to proceed with the hydraulic fracture stimulation program.

Upon the announcement by the Minister, Norwest will immediately engage with Halliburton to secure the first available timeslot for the frac spread to return to Western Australia. However as this is the only frac spread with the required capacity to carry out the program, Norwest will need to fit in with Halliburton's existing schedule of work. Once we have a start date for the frac spread, Norwest will recommence site and planning activities to ensure all services and personnel are engaged and ready to commence operations on the designated date.

Although disappointing to have these delays imposed on this highly promising project, Norwest is determined to complete both the stimulation and well testing program on each interval targeted in the well as soon as possible. On completion, Norwest will be in a position

to high-grade target intervals for development potential, scale-up flow results from the vertical well to predict production rates for horizontal wells, design a program for the next phase of the project, and estimate contingent resource volumes.

The Directors and the Norwest management team, like its many faithful shareholders, eagerly await the Minister’s announcement which will provide us with the necessary approval to proceed. In the meantime, Norwest will continue to do everything possible to ensure operations can recommence as soon as possible.

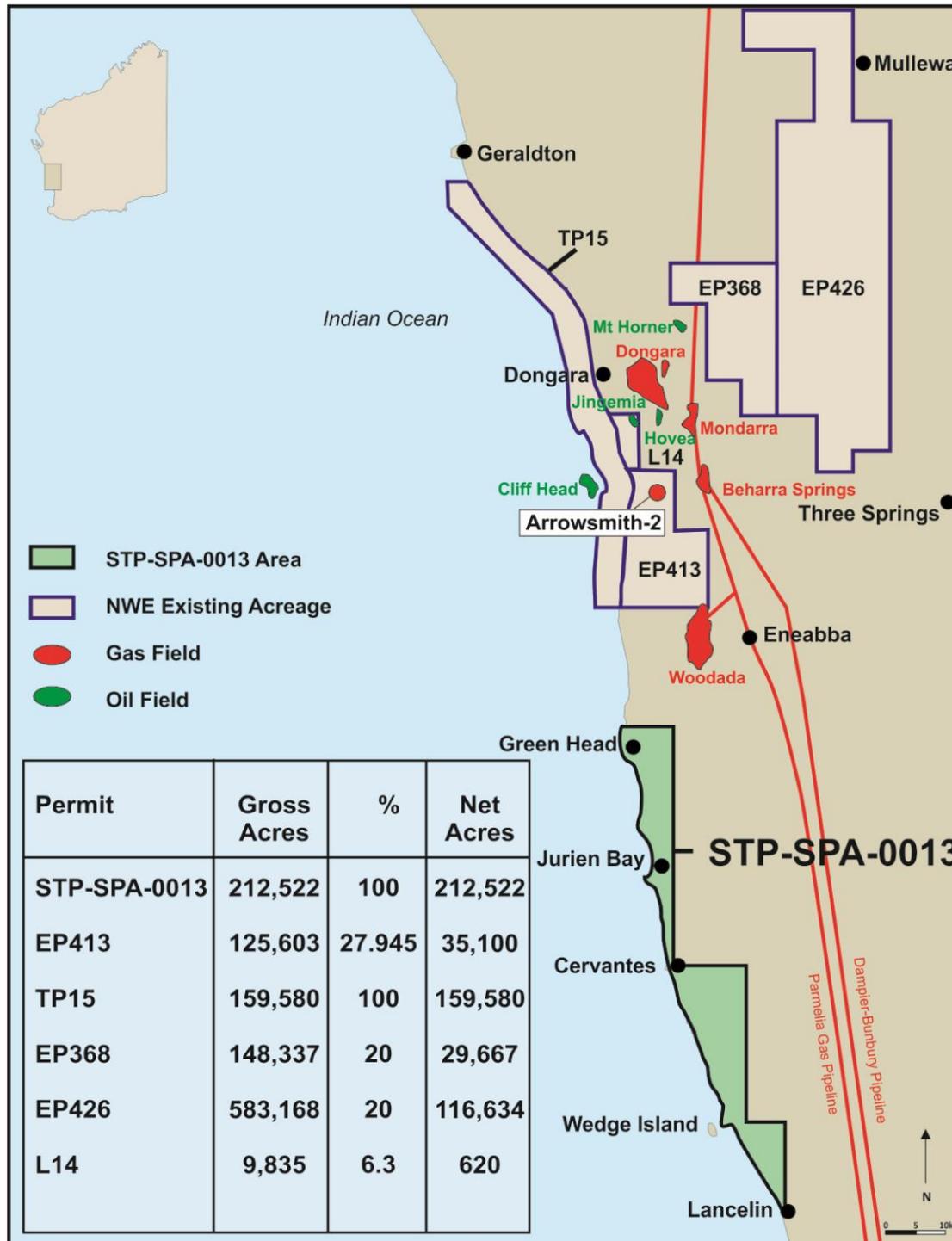


Figure 2. Northern Perth Basin acreage

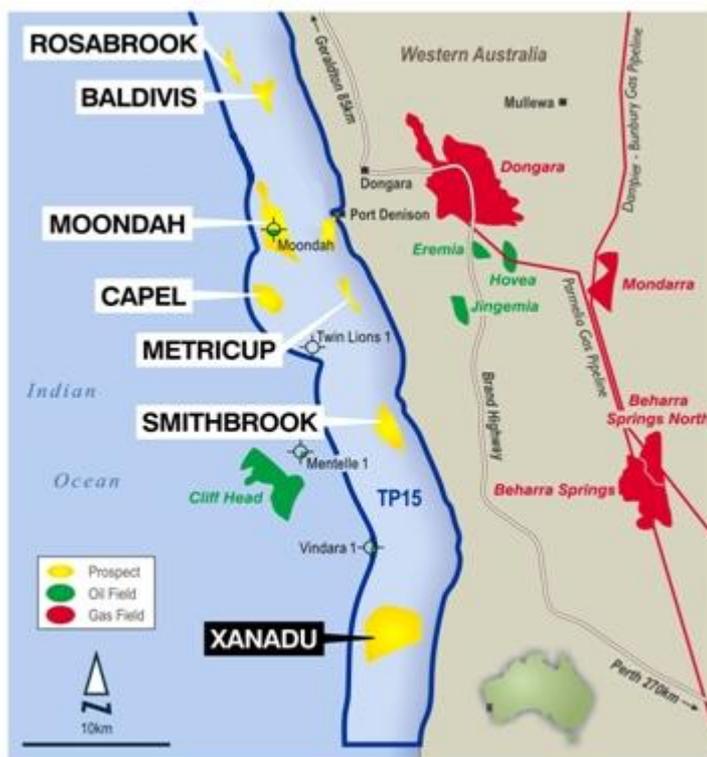
TP/15 - (Norwest 100%- operator)

Exploration Permit TP/15 is located in the offshore northern Perth Basin, in close proximity to the Dongara gas field, as well as the Cliff Head, Jingemia and Eremia oil fields (See Fig 3). The permit occupies the three nautical mile wide state territorial waters boundary of Western Australia adjacent to the township of Port Denison, covering an area of 647.2km².

During Quarter 4/2011, Norwest submitted an Application for Renewal on TP/15 (including a proposed 5 year work program) to the Department of Mines and Petroleum (DMP) as required under the Petroleum and Geothermal Energy Act 1967. As required under the Petroleum (Submerged Lands) Act 1982, 7 of the least prospective blocks were relinquished, with plans in place to work up the 16 remaining blocks containing the more interesting prospects in the permit.

TP/15 contains a number of highly ranked prospects including Xanadu, Capel, Smithbrook, Baldivis, Rosabrook and Metricup. A detailed G&G program will further evaluate these prospects in the upcoming work program.

In November 2011, BPRL elected to withdraw from the TP/15 joint venture and agreed to transfer their 50% interest back to Norwest Energy. Norwest sees considerable potential in this permit, particularly with the portfolio of prospects including Xanadu, with its potential for un-risked oil in place of 90MMbbls.



Prospect	STOOIP MMbbls	EUR MMbbls
Capel	134	40
Smithbrook	74	22
Xanadu	90	28
Baldivis	24	7
Rosabrook	10	3
Metricup	7	2
Total	339	102

Figure 3. TP/15 Leads & Prospect- Volumes are un-risked

STP-SPA-0013 Special Prospecting Authority (SPA) (Norwest 100%)

In early 2011, Norwest was awarded a Special Prospecting Authority (SPA) over 860km² of Perth Basin acreage (see Fig 4). This SPA was secured in order to extend Norwest's understanding of the shale gas present in the northern Perth Basin. The sedimentary section on this block is known to contain thick shale formations, principle of which is the prolifically developed Kockatea Shale, which is mature for gas and with significantly high total organic carbon content (TOC).

During Q4/2011 Norwest was busy analysing the results of the gravity gradiometry and magnetics survey acquired over the area, encompassing 2140km of data. Following the Q4/2011 analysis, in early January 2012 this data was integrated with other existing data resulting in potential conventional / unconventional targets being identified. Due to these promising results from this analysis, Norwest is sufficiently encouraged to apply to convert the SPA to a petroleum exploration license during Q1/2012.



Figure 4. SPA area

The potential for shale gas in the region is further supported by a third party study commissioned by Norwest in mid 2010.

Two wells reviewed in this study were Point Louise-1 (drilled in 1981) and Jurien-1 (drilled in 1963), both located on the western side of the Beagle Fault, both of which showed favourable indicators for shale gas.

The report stated that the Kockatea shales have the potential maturity to produce gas, contain fair TOC content and are composed predominantly of type II kerogen.

Both wells intersected thick sections of the Kockatea Shale, with Point Louise-1 intersecting 459m and Jurien-1 247m.

L14 Jingemia oil field (Norwest 6.278%)

Jingemia is estimated to have initially contained 12 MMbbls OIP with 4.6MMbbls produced to date. During the December quarter the Jingemia field produced 25,577 barrels with 1,600 bbls net to Norwest for revenue of A\$152,861.28.

Whilst original oil in place (OIP) is estimated to be 12MMbbls, historically between 40% and up to 55% of OIP is recoverable by other fields in the region, however it is expected that based on current oil price and operating costs it is unlikely that Jingemia will achieve further significant recovery unless the field is stimulated. To improve recovery a chemical Enhanced Oil Recovery (EOR) programme is considered the most likely technique to be commercially viable to extend field life, with the most promising technologies being surfactant flooding and surfactant polymer flooding. These techniques are both used successfully in projects worldwide, and could add further production life to the field. Assessment for the EOR program is currently ongoing and on a positive note, the National Industrial Chemicals Notification and Assessment Scheme (NICNAS) has now approved and fully endorsed the chemicals to be used in the EOR process.

Current evaluation and simulation studies indicate that the life of Jingemia could be extended to Q3/2014 and produce a further 254,000 bbls, based on current operating costs and oil price.

Jingemia field is currently producing at circa 250 bbls/ which is 60bbl/d above the forecast production rates modelled by the operator, Origin Energy Resources Limited.

EP368 and EP426 – North Erregulla (Norwest 20%)

In December 2011, Empire Oil and Gas formalised their farm-out agreement with Origin Energy Limited, which involved Origin earning 40% interest in the dual permits by funding 80% of a 3D seismic survey of the area. This survey is currently planned for February / April 2012. Q4/2011 saw continued planning of this program.

The North Erregulla prospect straddles the boundary between EP368 and EP426. Interpretation by Empire has outlined a large structure up dip of the North Erregulla #1 well which encountered 3m of oil in the Wagina (Permian age) reservoir.

Apart from the conventional targets at North Erregulla, Norwest also considers the permits prospective for shale gas, especially with the background of its regional knowledge acquired through other activities in the Basin. As a consequence, Norwest engaged Denver based Hoyer Petrophysics to conduct an independent petrophysical analysis of North Erregulla data, the results of which suggested that there is significant shale gas potential at the lower Kockatea level. The Kockatea is one of the key shale sequences present throughout the northern Perth Basin, which also includes the Carynginia Shale and the Irwin River Coal Measures, all of which are currently being evaluated by Norwest at Arrowsmith. Hoyer Group is the same company contracted by Norwest Energy to carry out the petrophysical analysis on the EP413 permit.

Timor Sea

AC/P22 - Puffin (Norwest 1.25% ORRI)

The Puffin Oil field, located in Production Licence AC/L6 and Exploration Permit AC/P22 covers an area of approximately 900km², and is situated in the commonwealth waters of the southern Timor Sea. Norwest holds a 1.25% overriding royalty interest (ORRI) which covers the entire AC/P22 permit and any production derived within the bounds of the permit. The ORRI entitles Norwest to a gross royalty on all revenue derived from sales of hydrocarbons without deduction of operating costs.

The Puffin Field is operated by Chinese major Sinopec (60% interest) with AED Oil Limited – (Administrators appointed), (Receivers and Managers appointed) (AED - 35%). Since the appointment of the administrators, receivers and managers to AED, no information has been provided by either Sinopec or AED with respect to exploration activities or the future of the project. Norwest as the holder of the ORRI and pursuant to the royalty Deed is only entitled to relevant production and petroleum sales data. Even though AED is suspended on the ASX it still has an obligation to report to ASX which is Norwest's only available source of information relating to Puffin project activities. AED has not reported any information to ASX regarding Puffin operations since its suspension in August 2011.

Wessex Basin, United Kingdom

PEDLs 238 and 239 (Norwest 50% and 75% - operator)

98/6b, 98/7b, 98/8, 98/12 (part), 98/13 (split) (Norwest 65% - operator)

Norwest currently holds two onshore UK licenses: PEDL 238 and 239 located along the southern coast of England in the Dorset and Isle of Wight areas respectively. Norwest is operator of both licenses and holds 50 and 75 percent of PEDL 238 and 239 respectively.

Additionally, on 30th December 2011, it was announced that Norwest had been successfully awarded the following blocks in the 26th seaward oil and gas licensing round, second tranche (See Fig 5): 98/6b, 98/7b, 98/8, 98/12(part) & 98/13 (split). Norwest holds 65% of all five licenses, and will be the operator, with Wessex Exploration PLC holding the remaining 35%.

The license award is subject to Norwest and Wessex accepting the offer of the blocks, which will then allow the JV to explore the five blocks for a period of two years. The permit interests can then be converted from a 'Promote' to 'Traditional' status, with a drill or drop well commitment.

These blocks are located in the English Channel adjacent to PEDL238 & 239. The licenses are very favourably located immediately E/SE of the giant Wytch Farm Oil Field. Wytch Farm is reported as the largest onshore oil field in Western Europe (Original OIP 500MMbbls) and is currently producing 15Kbbl/d. Six structural leads have been identified with the geological chance of success of these leads ranging from 15% to 32%. Geological and geophysical studies will be conducted using Norwest's extensive database, as well as purchasing new 2D seismic data. A successful evaluation program will mature these leads to drillable prospects.

Norwest is currently planning for the proposed 50km 2D seismic acquisition program over PEDL 239. The program is scheduled to commence during March 2012.

PEDL238 Norwest 50%	P50 risked recoverable MMbbl	P50 unrisked recoverableMMbbl	P50 STOOIP 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 239 Norwest 75%			
Razorback	2.09	14.12	43.1

Recently awarded licenses (Wessex Basin): 98/6b, 98/7b, 98/8, 98/12(part) & 98/13 (split) as part of the UK's 26th seaward oil and gas licensing round, second tranche. Acreage still to be confirmed.

Table 2. Summary of potential reserves

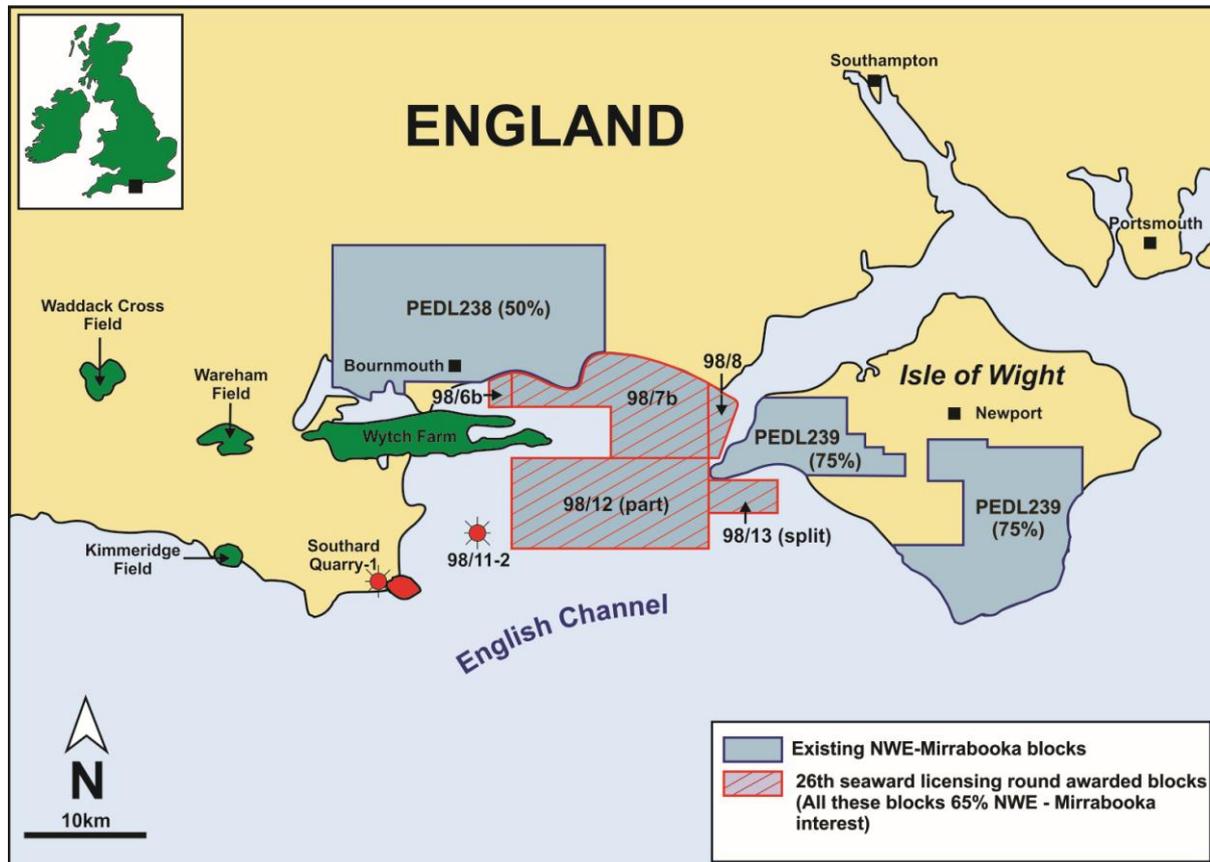


Figure 5. Wessex Basin permits

Capital Raising

During the Quarter, Norwest raised \$1.275m by way of a Placement to sophisticated and professional investors and a further \$2.9m through a non-renounceable Rights Issue. Both issues were managed by Patersons Securities Limited.

The funds raised will be used to fund exploration on the Company's high impact shale gas projects in the Northern Perth Basin and also the Wessex Basin projects in the UK.

Peter Munachen
Chief Executive Officer / Director
Norwest Energy NL

31 January 2012

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, a Master Degree in Business 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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