

ASX: NWE

16 August 2012

Arrowsmith-2 Weekly Project Update 3

- **Stage 2 – Irwin River Coal Measures (IRCM) hydraulic fracture stimulation successfully completed with gas to surface in early stages of clean-up and flowback**
- **Stages 1 and 2 of the 5 stage hydraulic fracture stimulation program now successfully completed, with positive results to date on both stages**
- **Norwest currently preparing for Stages 3 & 4 – hydraulic fracture stimulation of the Carynginia Formation**

Norwest Energy (ASX:NWE) is pleased to advise that the hydraulic fracture stimulation of Stage 2 targeting the IRCM is now complete, with the well currently undergoing clean-up and flow back operations on this zone. The image depicted in Figure 1 was taken at 7am on 14/08/2012, approximately 19 hours after the well commenced flow back operations.



Fig 1. Arrowsmith-2 flare from Stage 2, IRCM target, 14/08/2012

The primary objectives for the Arrowsmith-2 well are to test the shale gas potential in both the Carynginia Formation and the IRCM, with secondary objectives of shale gas in the Kockatea Shale, and tight gas in the High Cliff Sandstone Formation (HCSS). Stage 1 of this program targeted the HCSS, now successfully completed. In the limited time available for clean-up and flow back for this interval, the HCSS zone gave good indications of sustainable gas flow, with a peak rate of 777Mscf/d, and an average rate of 446Mscf/d reported by Expro over a 40 minute period when the well was diverted through the separator.

The IRCM was classified as a primary objective for Arrowsmith-2. Although in the early stages of clean-up and flow back, the initial signs are positive, with gas to surface earlier than expected, and strong down-hole pressure continuing to assist in flowing back the well. An established gas flow rate is not expected however until the well clean-up and flow back is further advanced.

Norwest is now preparing for Stages 3 & 4 of the hydraulic fracture stimulation program – the Carynginia Formation. Two intervals will be fraced within the Carynginia, the Lower Carynginia (2890 – 2940m) and the Middle Carynginia (2824 – 2875m). Each of these two intervals will be fraced separately, and then flowed back together, with diagnostics used to identify the source of flowback at surface.

Results to date are extremely encouraging, with two stages of the program almost complete, and preparations well underway for the remaining three stages. Arrowsmith-2 well is a ‘proof-of-concept’ well, with the first phase being to demonstrate that these intervals will flow gas when hydraulic fracture stimulation techniques have been used. In phase 2, these demonstrated rates will be up-scaled to estimate likely production from horizontal wells completed in the same formations. Commerciality of these zones can then be assessed.

Norwest will continue to release a weekly update each Thursday for the duration of the activities on site, with operations expected to continue for another 4-5 weeks.

The participants in the EP413/Arrowsmith Joint Venture are:

Norwest Energy NL (Operator)	(ASX: NWE)	27.945%
AWE Limited (via subsidiary ARC Energy Ltd)	(ASX: AWE)	44.252%
Bharat PetroResources Ltd		27.803%

Peter Munachen
Chief Executive Officer/Director



Fig 2. Collage of images from Arrowsmith-2 location, August 2012

For further information

Please contact Peter Munachen or Ernie Myers on 08-9227 3240, or email info@norwestenergy.com.au.

Media

Please contact Chris Codrington on +61 412 911 107