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INDEPENDENT RESOURCE EVALUATION ESTIMATES PROSPECTIVE RESOURCES POTENTIAL OF ARROWSMITH-2 PROJECT

DeGolyer & MacNaughton report estimates Best Estimate (P₅₀) Prospective Gross Recoverable Resources of 450 million BOE (barrels of oil equivalent), including 2.6 trillion cubic feet of gas

Norwest Energy (ASX: NWE) is pleased to announce that DeGolyer & MacNaughton has completed the prospective resource evaluation for exploration permit EP413.

The evaluation is the first detailed assessment of the shale formations in the northern Perth Basin, and was formulated using Norwest's detailed compilation of log and core analysis, hydraulic fracture stimulation data and flowback results to date. It also incorporates an extensive regional dataset on wells and seismic mapping in surrounding areas to substantiate the results contained herein.

The focus of D&M's report has been on the shale gas fairway comprising a gross area of 160km² to the east of the Beagle Fault which dissects the EP413 block. The prospective resource estimation considers the mean potential productive area to be approximately 90km².

EP413 encompasses a total area of 508km², in which Norwest Energy holds a 27.945% interest and is Operator, highlighting considerable upside as further exploration continues. However, as is noted in each of the tables set out below, there is no certainty that any portion of the prospective resources estimated by D&M will be discovered and if discovered that they will be commercially viable.

The unconventional prospective resources presented in Table 1 are based on statistical aggregation. The quantities represent the total gross prospective resources volumes for the four formations being targeted for exploration: Kockatea Shale, Carynginia Formation, Irwin River Coal Measures and the High Cliff Sandstone.

Table 1

		EP413 Prospective Resources - Gross Recoverable Volumes: <i>not adjusted for geologic or economic failure</i>			
Product		Low Estimate	Best Estimate	High Estimate	Mean Estimate
Oil ¹	(MMbbl)	2.9	9.0	27.1	13.2
Gas ²	(Bcf)	1,637	2,636	4,085	2,816
Condensate ³	(MMbbl)	1.0	2.1	4.5	2.5
Total BOE	(MMbbl)	277	450	712	485

¹ Source = Kockatea

² Source = Kockatea + Carynginia + Irwin River Coal Measures + High Cliff Sandstone (combined)

³ Source = Kockatea + Carynginia (combined)

⁴ There is no certainty that any portion of the prospective resources estimated herein will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the prospective resources evaluated.

D&M is based in Dallas, USA, and is recognised internationally as an expert in conventional and unconventional resources and reserves estimations.

D&M’s assessment has been completed in accordance with the Petroleum Resources Management System approved in March 2007 by the Society of Petroleum Engineers, the World Petroleum Council, the American Association of Petroleum Geologists, and the Society of Petroleum Evaluation Engineers.

D&M’s evaluation is an independent estimation which documents the potential prospective resources based on the current available data. The unconventional prospective resources in the report are expressed as gross unconventional prospective resources. Gross unconventional prospective resources are defined as the total estimated petroleum that is potentially recoverable as of 31 December 2012.

The Kockatea, Carynginia and IRCM each are inter-bedded shale and tight sand targets and will require hydraulic fracture stimulation to flow potential hydrocarbons. These potential volumes have been organised in the summary tables below.

Table 2 – Probabilistic estimates for Prospective Gross Ultimate Recovery for each of the four exploration target intervals: not adjusted for geologic or economic failure

	Prospective Gross Ultimate Recoverable (BCF)			
	P ₉₀	P ₅₀	P ₁₀	Mean
Kockatea	39	127	381	183
Carynginia	267	855	2,320	1,122
IRCM	384	1,037	2,734	1,352
HCSS	40	123	304	159

¹ There is no certainty that any portion of the prospective resources estimated herein will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the prospective resources evaluated.

Table 3 – Probabilistic estimates for the Original Gas In Place (OGIP) for each of the four exploration target intervals: not adjusted for geologic or economic failure

	Prospective OGIP (BCF)			
	P ₉₀	P ₅₀	P ₁₀	Mean
Kockatea	130	386	1,137	544
Carynginia	889	2,557	6,786	3,308
IRCM	1,007	2,560	6,220	3,172
HCSS	64	188	473	244

¹ There is no certainty that any portion of the prospective resources estimated herein will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the prospective resources evaluated.

Norwest Executive Director Peter Munachen said the independent evaluation by D&M reflects significant progress at the Arrowsmith project.

“The report provides us with the confidence that we have substantial prospective accumulations of hydrocarbons,” he said.

“The funds we have invested are now being converted into positive results and this positions us well to continue our work at Arrowsmith.”

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Background

In 2010, Norwest Energy identified four formations in the EP413 permit area as having the potential for natural gas. The drilling of Arrowsmith-2 in mid-2011 confirmed this potential, with the coring and logging program highlighting promising natural gas indicators from all formations.

This technical program led to the design of a hydraulic fracture stimulation program executed in mid-2012, targeting the Kockatea Shale, the Carynginia Formation, the Irwin River Coal Measures and the High Cliff Sandstone.

The EP413 permit contains approximately 1000 metres thickness of shale/tight sandstone formations in total, and only a small portion of each interval was tested during the program, indicating a large untested upside. Results from the hydraulic fracture stimulation program confirmed the precision of the design and selection of target intervals when all frac stages produced gas to surface in early flowback. Hydrocarbon flow to surface is an important indicator in gauging the success of a shale gas formation and this was achieved across all zones of interest.

Post-frac, flowback commenced on the two shallowest zones in the well – Kockatea and Carynginia. Kockatea is now complete and Carynginia flowback is ongoing.

Concurrent with the operational program, Norwest commissioned a detailed economic analysis of the commercial drivers for the project. High domestic gas prices and close proximity to pipeline infrastructure provide a strong economic foundation for future development of the Arrowsmith field.

Planning for Development of the Arrowsmith Field

Norwest will continue to gather data and flowback the Arrowsmith-2 well in coming months. In order to fully evaluate the four formations, a completion has been designed to assist in fluid recovery and to allow a well test to be carried out on the tight High Cliff Sandstone interval at the bottom of the well. Timing has not been confirmed as much of the componentry is being custom-built overseas, with inherently long lead times. Norwest is doing its best to expedite this process.

A 3D seismic program is planned for late 2013 to assist field development and to finalise future well locations, well spacing and well trajectories.

Joint Venture Partners in EP413

<i>Norwest Energy NL (Operator)</i>	<i>27.945%</i>
<i>AWE Limited (via subsidiaries)</i>	<i>44.252%</i>
<i>Bharat PetroResources Ltd</i>	<i>27.803%</i>

Competent Person Statement

Information on the Prospective Resources in this release is based on an independent evaluation conducted by DeGolyer & MacNaughton, a leading international resource and reserves advisory company. DeGolyer & MacNaughton is a Delaware corporation with offices at 5001 Spring Valley Road, Suite 800 East, Dallas, Texas 75244, USA. The firm has been providing petroleum consulting services throughout the world since 1936. The firm's professional engineers, geologists, geophysicists, petrophysicists and economists are engaged in the independent appraisal of oil and gas properties, evaluation of hydrocarbon and other mineral prospects, basin evaluations, comprehensive field studies, equity studies and studies of supply and economics related to the energy industry.

The evaluation has been supervised by Mr John Wallace. Mr Wallace is an Executive Vice President with DeGolyer & MacNaughton. He has over 30 years of oil and gas industry experience. He specialises in reservoir simulation and has performed a variety of studies on major oil and gas reservoirs in Africa, China, Europe, Indonesia, the Persian Gulf and the former Soviet Union. Mr Wallace has performed depletion, pressure-maintenance, water- and gas-coning, compositional, fracture and gas-cycling simulations. He has vast experience using black oil, compositional and dual porosity reservoir models with grid dimensions exceeding 20,000 grid nodes. Mr Wallace has modelled such surface facilities as pipeline networks and gas processing plants and his expertise extends to the analysis of reservoir rock, fluid, multiphase vertical flow, pressure-transient data and reservoir economics. Mr Wallace graduated from Texas A&M University in 1980 with a B.S. degree in petroleum engineering. He was elected a Vice President of DeGolyer & MacNaughton in 1986 and a Senior Vice President in 2000. A member of the American Association of Petroleum Geologists (AAPG) and the Society of Petroleum Engineers, Mr Wallace is a registered professional engineer in Texas. He is not an employee of Norwest and he consents to the inclusion of the information in this release in the form and context in which it appears.