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Planning underway to drill Xanadu conventional oil prospect in offshore Perth Basin

Highlights

- Planning underway to drill Xanadu oil prospect, located within Norwest's offshore TP/15 permit.
- Xanadu is the lead prospect in TP/15 and becomes the near term focus of Norwest's drilling activities in the northern Perth Basin.
- Offshore Xanadu will be drilled from an onshore location via a deviated well.
- Intention to farm-out portion of TP/15, with farm-in party to earn an interest by funding the drilling of the Xanadu-1 well.
- RFC Ambrian appointed to identify interested parties and manage farm-out process.
- Intention to drill in mid-2015.

Norwest Energy NL (ASX: NWE) (Norwest) is pleased to announce it has commenced the planning phase for the proposed drilling of oil prospect Xanadu.

Xanadu is situated at the southern end of Norwest's TP/15 exploration permit in the offshore northern Perth Basin, Western Australia. TP/15 is approximately 250 kilometres north of Perth and occupies the three nautical mile wide state territorial waters of Western Australia adjacent to the township of Port Denison. It covers an area of 645.8km² and is located close to an existing offshore producing oil field, Cliff Head (refer Figure 1).

Norwest has elected to assess the oil objectives within TP/15 by planning to drill Xanadu-1 at the lead Xanadu prospect. Xanadu has been identified as a prime target through a detailed, independent review of two historical data sets (seismic and gravity).

The offshore Xanadu prospect will be drilled from an onshore location via a deviated well, Xanadu-1. This type of well has been commonly used in conventional oil exploration and is cost effective, low risk, and low impact. The proposed onshore drilling location is situated on Crown Land in the Shire of Irwin and located within the Norwest operated EP413 permit.

Norwest intends to farm-out TP/15 by seeking a “carry” through the exploration drilling phase, while retaining a meaningful interest in the permit. RFC Ambrian Limited has been mandated to offer the project to interested parties and to manage the farm-out process on behalf of the Company. Norwest holds a 100 per cent interest in TP/15 (via subsidiary Westranch Holdings Pty Ltd).

Norwest executive director Peter Munachen said: “It is an important decision and an exciting opportunity for Norwest to assess the oil potential of TP/15 by drilling Xanadu-1.

“Xanadu has been the lead prospect in TP/15 and a prime target with its potential for large volumes of oil recoverable.

“The decision to drill Xanadu expands Norwest’s immediate activities in the northern Perth Basin adding to the continuing evaluation of the successful Arrowsmith shale gas project of which Norwest is the operator with its 27.945% interest.

“In the near term the Arrowsmith 3D seismic survey will be conducted in early 2015 and now the planning phase and drilling of Xanadu-1 will run concurrent with the Arrowsmith near term activities.

“Meanwhile longer term planning will continue for the drilling of Arrowsmith-3 in the 2015/2016 permit year.

“We considered that it was an ideal time to bring forward the drilling of the Xanadu prospect, especially in view of the results of the independent review.

“Success at Xanadu has the potential to deliver significant value to Norwest shareholders.”

The Xanadu Prospect

The Xanadu prospect is ideally situated in a proven hydrocarbon “fairway” with a number of oil and gas discoveries and producing fields in the near vicinity.

Structurally, the Xanadu Prospect is a prominent horst block lying parallel to the coastline in very shallow water. Xanadu-1 will target Permian sands from a depth of approximately 800 metres. Near-shore sands of the Dongara Sandstone represent the primary target, with secondary targets in the fluvio-deltaic Irwin River Coal Measures and the regressive marine sands of the High Cliff Sandstone.

The structural mapping, which is based on good quality 2D seismic data as well as high resolution gravity data resulting from a 2009 airborne 3D Full Tensor Gradiometry Survey, indicates the Xanadu Prospect is geologically similar to both the Cliff Head and Hovea structures. On the basis of good seismic correlations, the stratigraphic section at Xanadu is expected to be very similar to that encountered at Vindara 1, 7 kilometres to the NNW. In estimating potential Xanadu hydrocarbon volumes, the reservoir parameter values observed in Vindara 1 have been the primary reference. Vindara 1, testing a rotated fault block, had only minor hydrocarbon shows. The failure of this well, and similar structural tests further north, is considered to be due to insufficient charge and/or breach of seal resulting from fault re-activation. The Xanadu structure is considered to be more favourably located for hydrocarbon charge. Additionally, leakage on fault planes is considered less likely because of the interlocking nature of the fault network which gives rise to the Xanadu horst.

In estimating the recoverable oil volumes summarised in Table 1 below, a 50% recovery factor has been assumed.

Table 1.

Un-risked Prospective Resource: recoverable volumes oil (mmstb)*			
Reservoir	Low estimate	Best estimate	High estimate
Dongara Sandstone	3	12	22
Irwin River Coal Measures	13	88	159
High Cliff Sandstone	29	60	256
Total	45	160	437

*The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

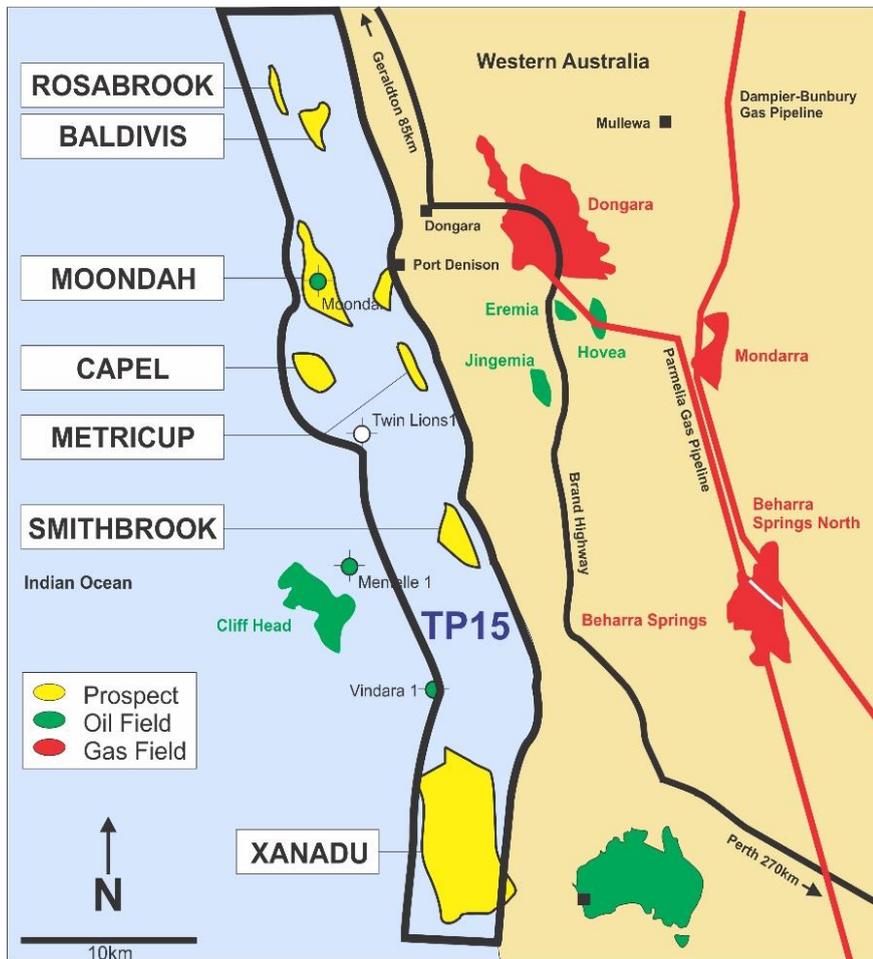


Figure 1.

Recent developments at TP/15

Norwest had been planning a 200 kilometre, 2D seismic acquisition program over TP/15. However, following a recent detailed independent review of the existing dataset and incorporation of additional historical data, it was concluded that the planned 2D seismic acquisition:

1. would be difficult to acquire, due to the shallow water as well as the presence of reefs; and
2. would not materially assist in further de-risking the Xanadu prospect, given the nature of the risks.

Accordingly it was decided to bring forward the Year Four drilling commitment and drill Xanadu-1. Lessons learnt from other wells drilled within the permit and in the region, combined with detailed third-party research findings, has provided further evidence to support the drilling of Xanadu-1.

An application to modify the approved permit work program has been submitted to the WA Department of Mines and Petroleum to exempt the 2D seismic survey from the five year work program and bring forward the drilling commitment into mid-2015, the timing of which is dependent upon the approvals process and rig availability, and securing farm-out partner(s).

About Norwest Energy

Norwest Energy NL (ASX: NWE) is an Australian-based oil and gas company focused on the strategic exploration and development of its asset portfolio in Western Australia.

Norwest's core strategy is to explore the potential of its permits in the northern Perth Basin, where the Company holds net basin acreage of 2,295 square kilometres. This acreage includes both conventional and shale gas opportunities. The key projects being progressed are the conventional oil target Xanadu in the offshore Perth Basin and continuing along a pathway to commercialisation at the shale gas Arrowsmith Project in the onshore Perth Basin.

Norwest is using its position as one of the earliest movers in the onshore shale and tight gas plays in Western Australia to build on the knowledge, experience and technical expertise that will see the Company progress from exploration through to development at its world-class projects.

The Company is committed to the ongoing development and assessment of its current portfolio and new opportunities that provide the ability to diversify and enhance Norwest's portfolio, with the aim of delivering value to its shareholders.

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Competent Person

The information on the Xanadu prospect is based on information compiled by Mr. Dean Powell of Powell Seismic Services. Mr. Powell holds a Bachelor Degree of Applied Science (Physics) and is a member of the Society of Exploration Geophysicists. He has over 40 years of experience in petroleum exploration.

Mr. Powell has consented in writing to the inclusion of the information stated in the form and context in which it appears.