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Xanadu Project Status Update

Highlights

- **Farm Out Agreements executed**
- **Letter of Intent for Drilling Rig Services Issued**
- **Third party services, approvals and consumables relating to Xanadu-1 being procured**

Farm-Out Agreements executed

Norwest Energy NL (ASX:NWE) ('Norwest') is delighted to announce it has executed farm-out agreements ('FOAs') with 3C Group IC Limited ('3C Group'), Triangle Energy (Global) Limited (ASX:TEG) ('Triangle') and Transerv Energy Ltd (ASX:TSV) ('Transerv') to formalise the farm-out of its TP/15 permit, which includes the Xanadu prospect containing an unrisks recoverable resource of 160MMbbls (Refer Table 2).

The negotiation and finalisation of these FOAs has been ongoing since February 2017, when a binding term-sheet was signed between the parties. The terms of the FOAs reflect the February Term Sheet, whereby:

- 3C Group will contribute 40% of the Xanadu-1 well costs to earn a 30% interest in TP/15;
- Triangle will contribute 40% of the Xanadu-1 well costs to earn a 30% interest in TP/15;
- Transerv will contribute 20% of the Xanadu-1 well costs to earn a 15% interest in TP/15; and
- Norwest will be free-carried through Xanadu-1 well costs (up to 110% of the agreed budgeted amount) and retain operatorship and a 25% interest in TP/15.

Once all expenditure relating to Xanadu-1 is incurred, or where due to unforeseen circumstances this expenditure exceeds 110% of the budgeted amount, each of Norwest, 3C Group, Triangle and Transerv will contribute to additional expenditure in proportion to their interests in TP/15.

All joint venture parties have now contributed their respective shares of the first cash call, which has been used to reimburse Norwest for amounts spent relating to the drilling programme to date with the remainder put towards future funding obligations relating to the well.

Letter of Intent for Drilling Rig Services issued

After a competitive market process, Norwest has issued a Letter of Intent ('LOI') to Enerdrill Pty Ltd ('Enerdrill') in relation to the contract award for the drilling of Xanadu-1. Enerdrill Rig 3 is currently on location in the northern Perth Basin drilling two wells on the AWE-operated Waitsia field, with the spudding of the first of these wells Waitsia-3 having occurred on 19 May 2017. Mobilisation to the Xanadu-1 location will commence following completion of the AWE drilling programme, with the timing still subject to Department of Mines and Petroleum regulatory approvals being granted to allow Norwest to conduct drilling operations at the Xanadu-1 location.



Figure 1. Enerdrill Rig 3

Norwest is pleased to issue the LOI to Enerdrill, a Western Australian owned and operated company. Norwest has conducted multiple exploration projects in the Mid-West region in recent years, and is well known for supporting local communities, businesses and people throughout the project lifecycle.

Third Party Services, Approvals and Consumables

Aztech Well Completions ('Aztech') has been working with Norwest since late-2016 on planning for Xanadu-1, and has been assisting with identification and selection of qualified third-party service providers, DMP liaison, well design, site works planning, local shire and Main Roads Department planning and approvals. With Aztech also contracted for project planning and management services by AWE for their Waitsia drilling campaign, Norwest is keen to exploit available synergies between the two projects to provide improved efficiency to Norwest's Xanadu-1 campaign.

A general update regarding other third-party service providers, third party approvals and consumables relating to the Xanadu-1 well is set out below:

- long-lead consumable items have been sourced, and deposits paid where required to secure optimal pricing and delivery timeframes;
- third party services are currently being finalised, with Norwest intent upon securing the best technical and commercial outcomes for the joint venture;
- current approvals under the lead Regulator, the Department of Mines and Petroleum ('DMP') are well advanced. The necessary approvals include environmental, technical and health & safety. Norwest continues to work closely with the DMP to expedite this process;

- Norwest self-referred the project to the Environmental Protection Authority ('EPA') in late 2016, with the period for public comment now complete. On 22 May 2017, the EPA announced that pursuant to s39A(1) of the *Environmental Protection Act 1986* (WA), a decision was made that this proposal does not require assessment.
- A heritage survey with a recognised anthropologist and the local Amangu claimant group representatives is now complete, with the Amangu representatives signing their approval for the project to proceed. Amangu representatives will be on site in a monitoring capacity during site works.

Norwest CEO Shelley Robertson commented:

“Norwest is incredibly pleased to complete execution of the farm-out agreements relating to Xanadu-1. In a very difficult market, it is an excellent achievement to welcome such high caliber partners in on this exciting drilling program. To be free-carried for the drilling, and to retain 25% as operator of the permit is also an excellent outcome. Norwest will continue to strive to achieve the best possible outcomes for all shareholders, and looks forward to an exciting few months as we finalise preparations for the spudding of Xanadu-1. I am confident this joint venture will develop over time as we look forward to testing the Xanadu prospect, and conducting further exploration programs across the TP/15 block. The TP/15 Joint Venture partners bring a wealth of knowledge and skills to the project that benefit Norwest and our shareholders. I look forward with great anticipation to the spudding of Xanadu-1.”

Unrisked Prospective Recoverable Resources

Unrisked recoverable oil volumes have been estimated deterministically and are summarised in Table 2 below. A 50% recovery factor has been assumed.

Table 2.

Un-risked Prospective Resource: recoverable volumes oil (MMstb) ¹			
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

¹The 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.

Project Location

TP/15 is located in the offshore northern Perth Basin, approximately 250km north of Perth.

The permit occupies the 3 nautical mile wide state territorial waters of Western Australia, adjacent to the township of Port Denison, and covers an area of 645km².

Xanadu is a conventional oil prospect located near the southern end of the TP/15 permit.

The well will be drilled from an onshore surface location to the offshore target location.

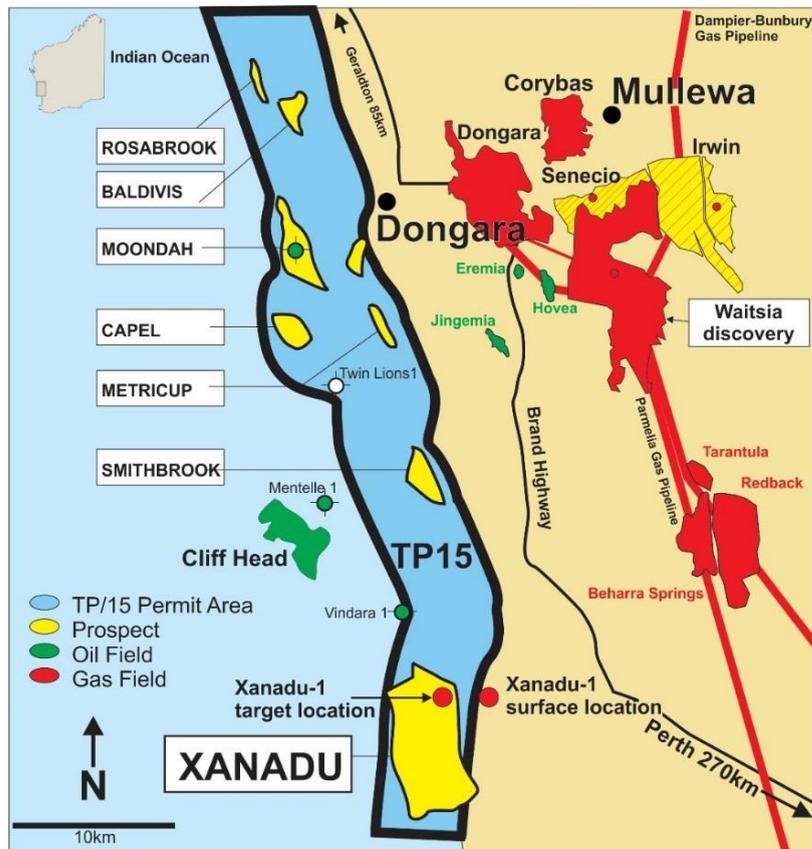


Figure 2. TP/15 location map

Norwest's assessment of the chance of discovery and chance of development associated with the Xanadu prospect are provided in Table 3.

Table 3.

Reservoir	Chance of Success
Dongara Sandstone	14%
Irwin River Coal Measures	13%
High Cliff Sandstone	6%

Refer announcement released to ASX on 29/10/2014.

For further information, please contact Norwest Energy:

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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.