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**28 July 2010
Quarterly Activities Report**

**Norwest Energy reports for the quarter ended
30 June 2010**

HIGHLIGHTS

- Farm-out negotiations for TP/15 and EP413 at an advanced stage.
- Share Purchase Plan at \$0.026 per share (2.6cents) to raise up to \$4.58m to fund UK and Australian exploration activities including interim bridging funding of TP/15 and EP413 pending completion of farm-out. These funds are to be recovered once the farm-out has been finalised.
- Red Hill South remapped and selected as the most prospective drill target with potential for 9MMbbl recoverable oil – well design completed and drill location determined.
- North Erregulla seismic mapping interpreted by operator Empire Oil and Gas as the largest undrilled tilted fault block in the EP 368/426 permits in the onshore northern Perth Basin. This prospect has an estimated potential for 66MMbbl of recoverable oil.

Overview

Farmout progress

Negotiations are at an advanced stage with a large offshore corporation with refining and distribution operations as well as international exploration activities, for the entity to farm into TP/15 and EP413. Norwest has been advised that the proposed farminee is finalising its internal approval processes. It is expected that the transaction will be formalised in coming weeks should these internal processes approve the transaction. In the event that the transaction proceeds the proposed farminee will be providing funding towards the drilling of the proposed TP/15, Red Hill South well and the EP413 shale gas project to earn equity in each of those permits.

Full details of the party and the terms of the transaction will be provided once the transaction has been concluded. The farm-in process has taken some time and it still may take a bit longer, due to regulatory processes in the farminee's home country. Norwest directors are nonetheless encouraged at the likely outcome.

Share Purchase Plan

Norwest has today announced that it proposes to raise up to \$4.57m from the issue of up to 176m shares at the issue price of \$0.026 per share. These funds will be applied to UK and other Australian exploration activities, operating overheads and to provide interim bridging funding of TP/15 and EP413 activities pending completion of the farmout. Any funds outlaid by Norwest during this bridging period will be recovered from the farminee assuming the farmout proceeds.

Norwest directors will subscribe for their entitlements to the issue and they encourage shareholders to also subscribe.

Northern Perth Basin

TP/15 (Norwest 100%) Red Hill South and Xanadu

Red Hill South

Activities during the quarter were concentrated on reviewing data and remapping the Red Hill South prospect. The work has resulted in the estimate of potential recoverable oil being increased from 7MMbbl to 9MMbbl. The Red Hill South target reservoir is at a depth of 1,580 metres (TD is at 1,910 metres) and is approximately 100 metres offshore. The well will be drilled from an onshore location about 200 metres inland and approximately 3km south of Port Dennison.

The well path has been designed and the approval application process is well advanced. Norwest is working closely with the Western Australian Department of Mines and Petroleum (DMP) on these processes.

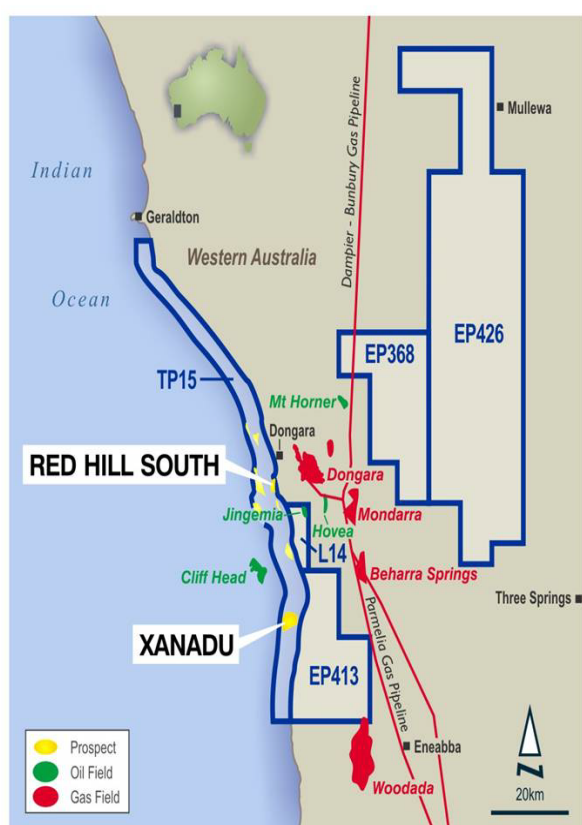
Norwest's well planning and drilling consultants, Aztech Well Construction are reviewing drill rig availability. But there is only one rig currently operating in Western Australia and it is contracted until the end of this year. As the permit expiry date is 26 October 2010 Norwest has applied to DMP to suspend the permit work obligations and extend the permit period until 26 August 2011 to allow sufficient time to source a rig and drill the Red Hill south well.

DMP is well aware of the lack of drill rigs and service equipment in Western Australia and recently ran a seminar/workshop with project operators to canvass ideas on how the DMP may assist. Other operators are confronted with the same problems of sourcing suitable rigs to meet their drilling obligations and are working together to explore options. Aztech, acting for Norwest, is also reviewing alternate rig options including shipping a rig from the East Coast or overseas. As Norwest plans to also drill a well in EP413 later this year or in early 2011, the selected rig must have the capability of also being able to drill to a depth of 3,500 metres.

Once all approvals are received and a rig is sourced and contracted, drilling will proceed as soon as is practical.

Xanadu

During the quarter work on Xanadu was limited to checking the structural integrity of the prospect as the main focus was on Red Hill south, which was determined to be the preferred drill target. Xanadu has a potential of 98MMbbl oil in place and 27MMbbl recoverable. The prime targets are the High Cliff Sandstones, which are the producing reservoirs for several fields in the northern Perth Basin, including the 60MMbbl oil in place Cliff Head project, 10km north-west of Xanadu.



TP 15 Leads & Prospects	Potential (million barrels)	
	In Place	Recoverable
Capel	134	40
Smithbook	74	22
Xanadu	90	28
Red Hill Sth	34	9
Baldivis	24	7
Rosabrook	10	3
Metricup	7	2
Total	373	111

Permit	Gross Acres	Net Acres
EP368	148,337	29,667
EP426	583,168	116,634
EP413	125,603	69,710
L14	9,835	620
TP15	159,580	159,580
Total	1,026,524	376,211

**EP413 (Norwest 55.606%)
Unconventional - Shale gas potential**

Having recognized the shale gas potential for EP413, Norwest has reviewed the shale gas activities of successful US operators and has also monitored closely the activities of AWE at the adjacent Woodada project. In June, Norwest released its first edition of “Norwesterly”, which is focused on shale gas. This newsletter is planned to be a regular communication tool. Its first issue was intended to articulate Norwest’s view on the potential of shale gas in the northern Perth Basin.

In March this year, AWE re-entered the Woodada Deep well and recovered core from three intervals in the Carynginia. Based on preliminary laboratory results, the middle 60 metre interval is being considered by AWE for fracture stimulation. This ties into AWE’s plan announced during the quarter to re-enter Woodada Deep in Q4/2010 to fracture stimulate, conduct additional coring and produce a contingent resource estimate.

Norwest has been conducting studies of the previous wells drilled throughout EP413 and is working closely with AWE to maximise the two companies’ shared knowledge and to work together towards drilling a well on EP 413 before February 2011. The current target location is at Arrowsmith, a prospect that was drilled in the 60s and flowed gas. It is proposed to drill to basement to about 3,500 metres and to recover core at the three shale intervals: the Kockatea Shale, the Carynginia Shale and the Irwin Coal Measures.

These shale sequences vary in thickness from 180m up to 500m+, and are present throughout the northern Perth Basin, including Norwest’s EP413.

In addition to collecting core, it is proposed to test the deep reservoir that flowed gas in the 60’s, and – depending upon overall results from the deep drilling and coring – fracture-stimulate the well to improve potential flow rates.

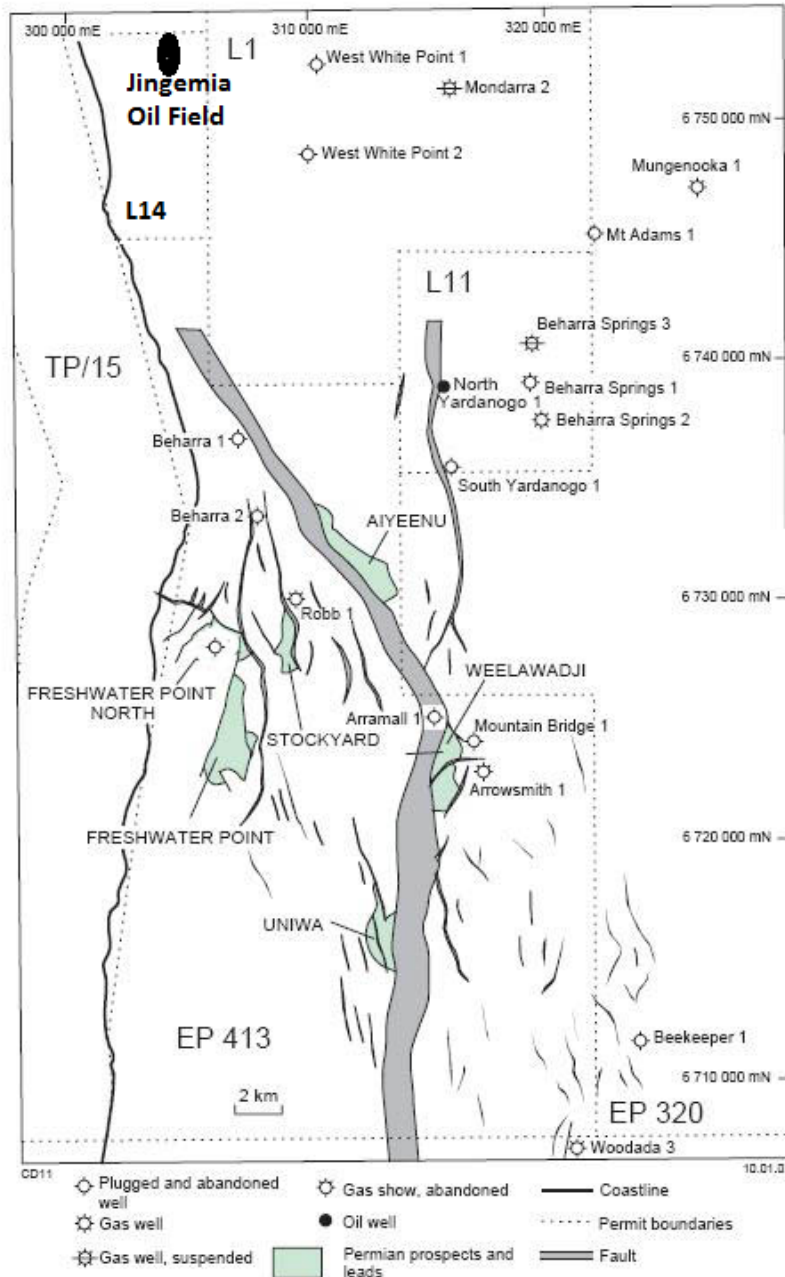
Consideration is still being given to drilling a slim hole well on the up-thrown side of the Beagle Fault, but further information is required regarding the age and maturity of the high-side shale before a commitment to proceed is made.

As well as researching and gathering information about US shale gas activities, Norwest has also been reviewing the requirements to connect to the pipelines running through the northern Perth Basin. It has also been researching the Western Australian gas market, the state’s forecast domestic and industrial long-term demand for gas and very importantly, pricing. It is not just a case of connecting to the pipeline and selling the gas. An operator, such as Norwest, if successful in becoming a producer, must negotiate directly with a customer that has access to the pipeline and agree a price and a contract. Pricing and terms are very confidential and not disclosed, but recent media reports suggest that gas prices are currently being negotiated at \$8 to \$9mcf and even in double digits. Given the many mineral processing and industrial projects coming on stream in WA over the next five years, there will be an increased demand for gas – this augurs well for Norwest.

Conventional oil and gas

EP413 offers more than just shale gas potential. The permit has been underexplored and considerable potential remains for conventional oil and gas.

A number of leads and prospects require further evaluation as potential conventional drill targets. As mentioned above, the Arrowsmith-1 gas well was drilled in 1965 by WAPET and on testing flowed at 4MMcfd before being plugged and abandoned. Other leads and prospects that warrant consideration include: Robb, Aiyeenu, Stockyard, Weelawadji and Uniwa. All of these leads and prospects will be evaluated in the process of conducting the shale gas program.



Jingemina oil field (Norwest 1.278% – increasing to 6.278%)

In February, Norwest announced that it had reached agreement with Victoria Petroleum Offshore Pty Ltd, a wholly owned subsidiary of Victoria Petroleum NL, to acquire its 5% stake in the L14 lease, including Jingemina, for A\$491,250. This will increase Norwest’s equity in the field to 6.278%. All parties have executed the relevant documents that have been lodged with DMP and are awaiting registration.

The field has several production years ahead of it, but a recent review by the operator Origin indicates that it will not attain the previously predicted level of production of circa 1,000bbl/d. Jingemia is currently producing at circa 500 bbl/d. Production has been hampered by continual equipment failures and as well J12 has not produced at its expected production level. As a consequence the anticipated cash flow to Norwest, previously reported at \$750,000 to \$1 million per annum, has been downgraded to about \$650,000 for 2010/2011.

During the quarter, the Jingemia field produced 39,129 barrels with 1,125 net to Norwest for revenue of A\$98,987. As the acquisition of the Victoria Petroleum stake has not yet settled, the above statistics relate only to the current 1.278% interest. Once DMP registration is effected, settlement of the purchase consideration with VicPet will be adjusted as that company has continued to receive production revenue and has funded joint venture costs. This will result in Norwest being refunded approximately \$204,000 at settlement from the purchase consideration of \$500,000 that is currently held in escrow.

Enhanced Oil Recovery

Jingemia has to date produced approximately 4.3MMbbls out of an estimated oil in place of 12MMbbls. It is currently recovering 39% of in-place oil, leaving significant potential to increase the recovery rate. Simulation work predicts the field should recover 44%. The nearby Hovea field is recovering 63%. Accordingly, Jingemia's operator, Origin Energy, has recommended the JV evaluate an enhanced oil recovery (EOR) program. A chemical EOR is considered the most likely technique to be commercially viable. The most promising technologies are surfactant flooding and surfactant polymer flooding. These techniques are used successfully in other projects elsewhere and could add further production life to the field.

This evaluation was completed towards the end of the quarter and the results are awaited. In the event that the results are positive a laboratory pilot study will be conducted before deciding to proceed to full scale operations.

If the EOR is implemented it is expected that the Jingemia field will produce a further 600,000bbl

EP368 and EP426 – North Erregulla (Norwest 20%)

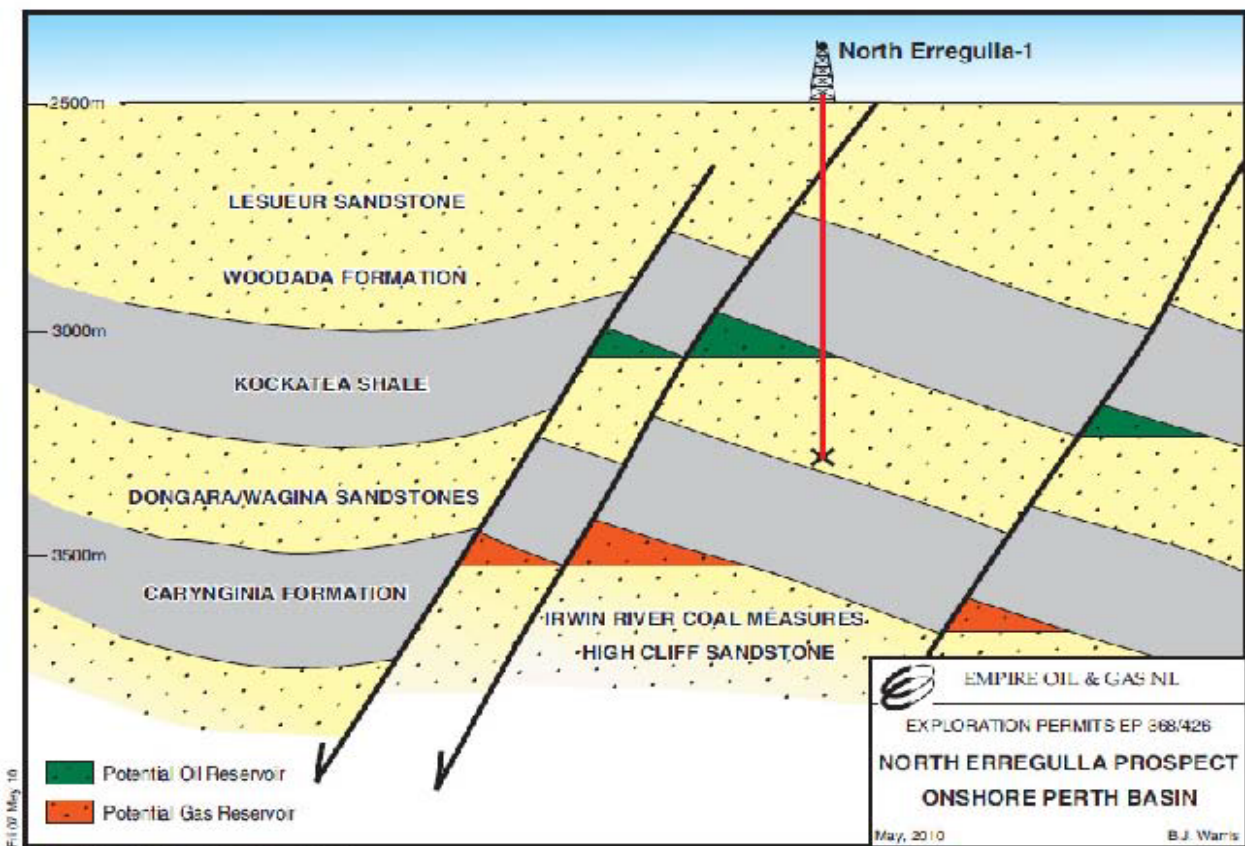
During the quarter, EP368/EP426 joint venture operator, Empire Oil & Gas N.L. reported that it had remapped the seismic data set over the North Erregulla structure, which straddles the boundary between EP368 and EP426. The North Erregulla1 well was drilled by WAPET on the North Erregulla structure in 1967. Drill stem tests (DSTs) within the well confirmed a live oil system with DST1 recovering 72.5 litres of 380 API oil from the Arranoo Member (a sandy member within the Lower Triassic Kockatea Shale) and DST2 recovering 30 litres API oil from the Permian-aged Dongara Sandstone, which is located immediately beneath the known source rock, the Hovea Member of the Kockatea Shale. DST3 recovered 22 barrels of salt water from the Dongara Sandstone thereby defining the approximate oil/water contact in the structure.

The new interpretation has outlined the largest undrilled fault block structure in the northern Perth Basin. Estimated potential recoverable reserves, if the structure is filled to the oil/water contact defined by North Erregulla1, are 9 million barrels oil in the Arranoo Member and 57 million barrels oil in the Dongara Sandstone. These potential reserve estimates are conceptual and will require future exploration drilling to confirm them.

There is also the potential for an estimated 300 Billion Cubic Feet of Gas to be trapped in deeper reservoirs of the Irwin River Coal Measures and High Cliff Sandstones. The bulk of the structure as currently mapped is located in EP 368.

Empire is currently reprocessing the existing seismic data set and will incorporate the interpretation of this reprocessed seismic into the interpretation of the airborne Full Tensor Gradiometry data, recorded in late 2009, to assist in the delineation of the North Erregulla structure. Due to the complexity of the faulting over the structure, Empire considers the appropriate program for the EP368 and EP426 permits will be to record a 3D seismic survey before drilling this exciting prospect in this oil-prospective part of the northern Perth Basin. Planning of this 3D seismic survey is in progress.

Meanwhile, Empire has begun reprocessing selected seismic lines over the North Erregulla prospect ahead of a 3D survey to assist in defining a drill target for drilling in Q4/2011.



Timor Sea

Puffin (Norwest 1.25% ORRI)

AED reported that during the quarter, the acquisition of the Fugro Cartier 3D seismic survey over AC/P22 was completed. The data is currently being processed with the final delivery and interpretation expected in Q4 2010. The Joint Venture has completed the reprocessing of the Onnia 3D and BHP 3D seismic data set over AC/L6, with both a PSTM and PSDM volumes being reviewed. These volumes are currently being interpreted and these results are also expected in Q4 2010.

Regional studies are continuing for AC/P22 and AC/L6 including source, migration, trap evaluation and fault seal studies and, along with the seismic interpretations, will lead to a review of potential resources and identify possible targets for a future drilling programme. AED has a 40% stake in the Puffin field while Chinese major Sinopec has 60%.

Norwest has a 1.25% overriding royalty interest which covers the entire AC/P22 permit and any production derived within the bounds of the permit.

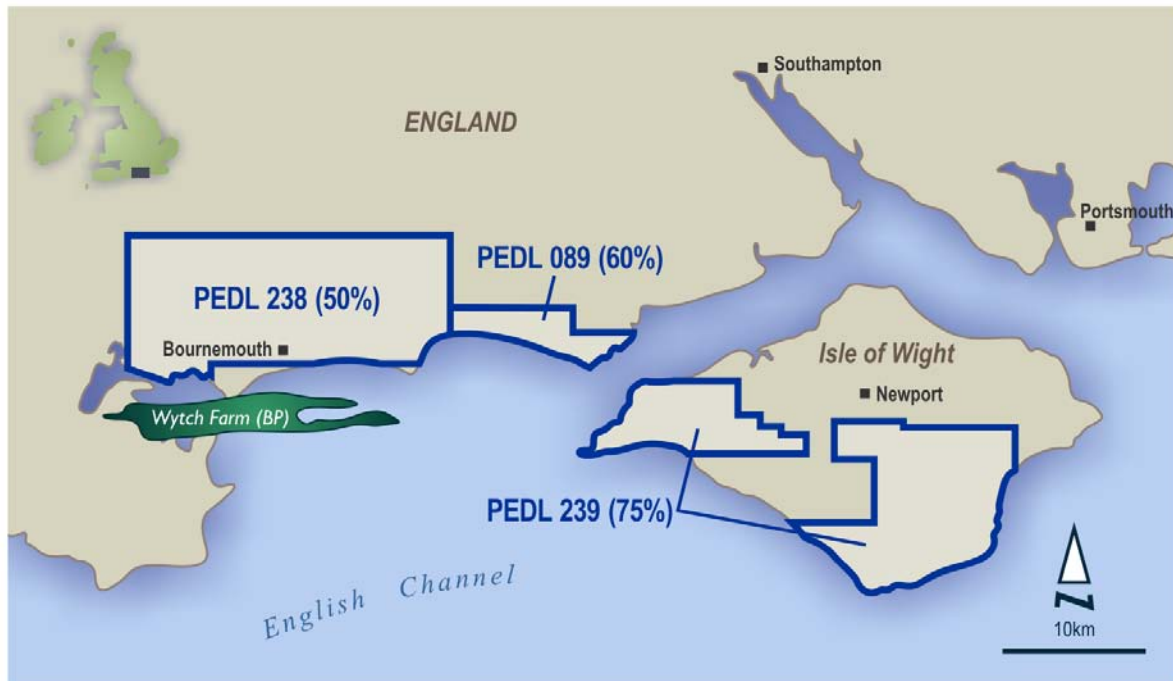
Wessex Basin, United Kingdom

PEDLs 238, 089 and 239

Early in the quarter, Norwest reported the results of a regional geology, geophysical and resource evaluation of the company's onshore southern England permits. This evaluation, conducted during the previous quarter identified seven leads that could be matured for drilling. The details are reported below.

PEDL238 Norwest - 50%	STOOIP P50 MMbbl	P50 risked recoverable MMbbl	P50 unrisked recoverable MMbbl
Mooneye	134.7	3.88	53.88
Sockeye	19.6	0.42	7.84
Hammerjaw	42.7	2.34	13.52
Coho	26.9	0.57	10.76
Beluga	22.3	1.45	8.92
PEDL 089 Norwest – 60%			
Beluga	17.3	1.12	6.92
Bluegill	8.6	0.50	3.44
PEDL 239 Norwest – 75%			
Razorback	43.1	2.09	14.12

Note: The leads have been re-named to establish a “fish” theme.



In conjunction with the resource evaluation, Norwest conducted an economic scoping study over a range of current onshore producing fields throughout the UK. This study provided a matrix of economic results to enable Norwest to decide on whether to proceed with continuing work to appraise its onshore opportunities.

The study indicates a minimum volume of 400,000 barrels of oil and 4-5 billion cubic feet of gas to be the commercial threshold for a UK onshore discovery.

The resource evaluation has determined that every one of Norwest’s onshore England leads has the potential to exceed the minimum threshold of 400,000 barrels of oil, providing encouragement for Norwest to conduct further work to de-risk the leads into drillable prospects.

Norwest is operator of three Wessex Basin permits, PEDL238 (in Dorset), 089 (the Hurst Castle project area, in Hampshire) and 239 (Isle of Wight).

Norwest is pleased with the results of the evaluation as the confirmation of leads is a major advance and indicates the potential for multiple drillable prospects within the company’s permits.

While southern England is not recognised as prime oil and gas country, the region’s Wessex Basin contains Europe’s largest onshore oil and gas field, the BP-operated Wytch Farm, which has estimated original reserves of 500MMbbl (400MMbbl produced to date).

Since Wytch Farm’s discovery in 1973, no other significant oil field has been found in the Wessex Basin, which remains underexplored.

Norwest’s PEDL238 permit is immediately north of Wytch Farm

Although Norwest's Wessex Basin leads are considerably smaller than the giant Wytch Farm field, the proximity of the leads to Wytch Farm, together with commercial thresholds in the 400,000 barrel range, indicates the chances of achieving future commercial success are significant.

Norwest is the operator of its Wessex Basin projects and during June the joint venturers adopted the work programs and budgets for 2010/2011. The main activity for the coming year will be to review the leads identified during 2010 in order to upgrade them to prospects suitable for drilling. It is also proposed to acquire 2D seismic data over selected areas on the Isle of White permit (PEDL 239).

UK headquarters relocated to Southampton

With the increase in activity planned for 2010/2011, particularly the proposed 2D seismic acquisition Norwest has just relocated its office from London to Southampton. Norwest sees this as a positive move as it will make Norwest more visible in the Wessex region and will enable it to be in direct contact with the local community as well as with service companies. John Michaels, Norwest's, resident UK, VP business development has also relocated his family to Southampton.

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