

ASX ANNOUNCEMENT AND MEDIA RELEASE

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Norwest Adds Early Drilling Project to Appalachian Basin Portfolio

Norwest Energy NL has reached agreement with Tennessee based gas producer Miller Petroleum Inc (Miller) to jointly develop an approximate 10,400 acre area located in Campbell County, in the heart of Tennessee's prolific and hydrocarbon-rich Appalachian Basin.

The leased areas, referred to as the Koppers North and Cardin leases, form a contiguous block located directly south of the leading edge of the Pine Mountain Thrust. This trend was identified by Norwest and its partner Golden Triangle Energy (GTE) as one of the most highly prospective in the Basin, and the agreement places Norwest firmly within one of its preferred areas. The thrusting has produced concentrated fracturing and a substantially thickened Devonian Shale target zone, thus increasing the capability of the reservoir to flow gas.

The target depth is around 3,000 feet and the drilling success rate is expected to be close to 100%. NASDAQ listed Miller has secured drilling rigs and plan to commence drilling within the next few weeks.

Under the agreement Norwest and GTE will together fund the initial five wells. Once the production results from these wells are known, Norwest and GTE can elect to fund a second batch of five wells, followed by another 10 wells. At the end of this 20 well program Norwest will have earned a 37.5% interest in the production from each well and the 40 acre area surrounding each well, along with an option to drill additional wells.

Commitment to a second batch of 20 wells will complete the earning phase and will earn Norwest a 37.5% interest across the whole area. Norwest's Net Revenue Interest in the area will be approximately 29% after landholder and other royalties. The agreement provides for near continuous drilling of as many as 100 wells to develop the gas reserves.

The first 20 wells will be drilled on a turn key basis with individual completed well costs set at US\$235,000. All future wells will also be drilled on a turnkey basis. The turnkey costs include staged fracs, designed to maximize production from a number of zones in each well.

Gas production lines are already in place allowing for immediate sales and cash flow. The medium term outlook for gas prices in the USA is above US\$6 per thousand cubic feet, and quoted recent gas sales exceed US\$7.

Norwest CEO Joe Salomon said that this project provided the company with a very effective staged approach, starting with an accelerated drilling program, and with the advantage of clear exit points should, for any reason, the anticipated production rates not be realized.

"This is a very robust project which should provide Norwest with early participation in the highly profitable US gas market, and with the support of a very experienced and well regarded local partner," Mr. Salomon said.

"The association with Miller will provide valuable experience which can be applied to Norwest's other shale gas projects in Kentucky and West Virginia. In both of these areas, efforts to secure local operating partners are expected to be completed in the short term, followed soon thereafter by drilling campaigns.

This project marks the real beginning of Norwest's activities in the Appalachians, and more than makes up for the delays experienced in our other acreage," Mr Salomon said.

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