

ASX Companies Announcements Office

REPORT FOR THE QUARTER ENDED 31st December, 2006

Highlights

- Potential royalty cash flow from Puffin Oilfield estimated at A\$33,000,000
- West Virginia project sold for \$1,962,000
- Agreement signed with Bharat Petroleum for co-operation in world wide exploration
- UK Block 48/1b&2c (Boulder Block) government approval for continuation to Year 3
- Farmout negotiations for Block 48/1b&2c at an advanced stage
- Farmout negotiations for AC/P32 at an advanced stage

AUSTRALIAN PROJECTS

AC/P32 Vulcan Sub-basin Timor Sea 30.1%

The Joint Venture is nearing completion of interpretation of recently purchased 3D seismic. The dataset covers the entire block and a large portion of it has been recently reprocessed. The interpretation is aimed at producing drilling targets for a commitment well in the permit year commencing May 2007. A number of projects are being currently finalised and ranked. Entry into the year is optional for each of the Joint Venture partners. Discussions with a third party to farm into the block are at an advanced stage and are expected to finalise shortly.

AC/P22 Vulcan Sub-basin Timor Sea 1.25% Over-Riding Royalty

Norwest has estimated that the potential cash flow that could result from its 1.25% royalty over the Puffin field currently stands at A\$33,000,000. This estimate is based on the latest reserve upgrades in the Puffin Oilfield issued by the Operator, AED, at its Annual General Meeting on 22nd November 2006.

AED certifies an estimated reserve range for the Puffin North East main area (NE1) based on Monte Carlo simulation as follows:

P90 22 million barrels
P50 40 million barrels
P10 67 million barrels.

An oil price of US\$50 per barrel and the P50 case reserve were selected to arrive at the estimated potential cash flow of A\$33million.

In addition AED believes that the NE2 area is likely to be a commercial pool, and considers the NE3 area to be an exciting prospect. For complete details of AED and its reports visit the following websites:

<http://sa.iguana2.com/cache/90d22e0fd24d6ca83c2e9dc26e2d578d/ASX-AED-265895.pdf>
<http://sa.iguana2.com/cache/3980194f387633b98c8b60845679d487/ASX-AED-265893.pdf>

For further details, follow the link to "Other AED ASX releases" on AED's website: www.aus-energy.com.au.

EP 413 and L14 Jingemial Oil Field Northern Onshore Perth Basin 1.278%

Oil produced from the Jingemial Field in L14 during the Quarter was 255,537 barrels, 3266 barrels net to Norwest. The produced oil is being trucked and sold to BP's Kwinana Refinery.

Average oil production for the quarter was approximately 2840 bopd.

In EP413, the Stockyard prospect has been replaced by the Freshwater Point prospect as the favoured drilling target for commitment year 1. Due to difficulties in obtaining a suitable drilling rig in time for the commitment well, the operator has applied to the DoIR for an extension and suspension of the permit year in order to meet permit commitments. It is expected that Freshwater Point 1 will be drilled in the first half of 2007.

EP 368 Northern Onshore Perth Basin 10%

The 143 km Spring Creek seismic survey has been interpreted and incorporated into the permit-wide mapping of EP368. The mapping has identified a number of closures within the permit which will shortly be assessed and ranked for their exploration potential. Due to difficulties in obtaining a suitable drilling rig in time for the commitment well, the operator has applied to the DoIR for an extension and suspension of the permit year in order to meet permit commitments.

TP/15 Northern Offshore Perth Basin 10%

The Joint Venture is currently reviewing the block following the drilling of Moondah-1 in 2006.

EP437 Northern Onshore Perth Basin 33 1/3%

Following a detailed study, the company elected to withdraw from EP437 on the grounds that the leads identified carry an unacceptable risk level for the small potential reserve sizes that had been identified.

EP 364 Offshore Carnarvon Basin 10%

A Retention License was granted by the WA DoIR.

OVERSEAS PROJECTS US Appalachians Gas, Kentucky (WI 70%), West Virginia (WI 29%), Tennessee (WI 37.5% & 50%),

During the quarter, Norwest's interests in West Virginia project were sold for A\$1,962,000. Divestment of the company's interest in the Miller project in Tennessee is pending and a sale is being sought for the Kentucky project.

UK North Sea Blocks 48/1b and 48/2c 50%

Approval has been received from the UK Secretary of State to continue past the first phase of the license. The second phase has a drilling commitment of one well within the two year period between December 2006 and 2008.

Reprocessing and interpretation of 3D seismic is complete, and farmout negotiations with a number of third parties are at an advanced stage.

The block contains a structure named Bounder which contains gas proven from flow tests in a well located on the flank of the structure drilled in 1984. Reservoir depth is at approximately 3,500 metres (11,500 feet), and the structure is adjacent to existing producing fields with similar reservoir characteristics and depths. Platform and pipeline infrastructure is in place at these fields and a development at Bounder would most likely tie back to this existing infrastructure.

Encore Oil, a London based company has taken over operatorship of the block from Norwest following its purchase of Nido Petroleum's (previous partner) interests in the UK. Encore has a strong skills base and experience in the UK North Sea, and the operatorship change is seen by Norwest as a positive development.

UK North Sea Blocks 47/8d and 47/13c 50%

The block is immediately northwest of the Amethyst Gas Field (850 billion cubic feet) and seismic data shows evidence that the Amethyst feature continues into the license, and that other structures are present. Reprocessing of the available 2D seismic data is being carried out by Norwest and is nearing completion. Once done, Encore Oil will undertake the interpretation.

UK North Sea Blocks 12/16b, 12/17a, 12/22b 25%

Norwest holds a 25% interest in a license located in the Inner Moray Firth. The block holds multiple oil targets and is close to the large Beatrice oilfield (150 million barrel reserves). A work program and budget is currently being developed by the Joint Venture which include Encore Oil.

INDIA

Norwest Energy has signed an "Agreement on Areas of Mutual Interest" with Bharat Petroleum Corporation Limited (BPCL), under which the two companies will work together to pursue international upstream oil and gas opportunities. Under the agreement Norwest will act as a Project Leader to identify opportunities and areas for joint exploration, appraisal and development.

BPCL is a Fortune 500 company. BPCL's main business focus is in refining, storing, marketing and distributing of petroleum products in India. It has recently entered the upstream oil and gas business, and is rapidly building a portfolio of international ventures. The company has a market capitalisation of approximately US\$3 billion, a sales turnover in 2004/2005 of US\$16 billion, and it employs over 12,000 staff.

EXPENDITURE

The group spent \$509,000 on exploration and evaluation activities during the Quarter ended 31st December, 2006.

J A Salomon CEO & Director

The summary report on the oil and gas projects is based on information compiled by Mr J A Salomon, BAppSc (Geology), Chief Executive Officer of Norwest Energy NL. Mr Salomon holds a relevant degree in geology and has been practising petroleum geology for 25 years. Mr Salomon is the full-time Chief Executive Officer of Norwest Energy NL and has consented in writing to the inclusion of the information stated in the form and context in which it appears.