

NORWEST ENERGY NL

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REPORT FOR THE QUARTER ENDING 31ST DECEMBER 2003

Highlights

- Agreement in principal to sell Norwest's 5% interest in the Cliff Head Oil Field and permit WA-286-P for \$8.1 million.
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WA-286-P and the Cliff Head Oil Field Northern offshore Perth Basin 5%

Subsequent to quarter end Norwest reached an agreement in principle to dispose of its 5% interest in the Cliff Head oil project to the Japanese company ITOCHU Oil Exploration Co. Ltd (ITOCHU) for \$8.1 million. The parties have also agreed that if production from the project and WA-286-P exceeds 28 million barrels of oil, Norwest will be entitled to a 2% over riding royalty (ORR) from ITOCHU'S share of such excess production.

Under the terms of a Memorandum of Understanding (MOU) Norwest has granted ITOCHU an exclusive right up to 16th February 2004 to complete and execute a Sale and Purchase Agreement ("SPA") for the interest.

The proposed sale will be subject to the completion and execution of satisfactory documentation, final due diligence, joint venture and regulatory approvals and consents.

Upon execution of the SPA, which is anticipated to be during January 2004, ITOCHU will pay a deposit of \$810,000 into an escrow account. Settlement of the transaction will occur when ITOCHU'S interest in the permit is registered, which is expected to be during April 2004. During the period up to settlement Norwest will continue to meet its share of project costs. These expenditures will be reimbursed at settlement.

It is proposed to convene a meeting of shareholders during February 2004 to seek approval for the disposal of the Company's 5% interest in Cliff Head and WA-286-P pursuant to ASX Listing Rules. Notice of meeting and an Information Memorandum will be forwarded to shareholders as soon as practicable.

Development Studies

The Front End Engineering and Design (FEED) Studies continued throughout the quarter.

During the quarter a 3D Marine Seismic Survey was recorded over the oil field. Comprising 30.3 square kilometres of full fold data, the Cliff Head 3D Seismic Survey is presently being processed. Data from the survey will enable better definition of the oil field and sighting of development wells.

Exploration

The Lillian 2D Marine Seismic Survey was also acquired during the quarter in both WA-286-P and the adjacent TP/15. A total of 664 kilometres of data was acquired within WA-286-P. The survey was designed to further define mapped prospects and evaluate areas with minimal seismic coverage. Processing of data is underway.

TP/15 Northern offshore Perth Basin acquiring 10%

As previously announced and subsequent to quarter end, ITOCHU has been granted a right of first refusal over the interest Norwest is earning in TP/15. That right expires on 16th June 2004.

During the quarter, and in conjunction with the WA-286-P Joint Venture, the Lillian 2D Marine Seismic Survey was conducted within both permits. A total of 85 line kilometres of data was acquired within this permit. The survey was designed to further investigate projects within TP/15 and to evaluate areas with little seismic data. Processing of these data is underway.

EP-413 and Jingemia Oil Field Northern Perth Basin 1.278%

A second extended production test was conducted during the quarter. Testing commenced on the 1st November 2003 for a period of three months and also included water injection from the Jingemia 2 well to increase reservoir pressure. Oil was produced from Jingemia 1 for four weeks as the interference testing part of the test prior to the well being shut in for pressure build up. Following the completion of the water source well, the water injection rate was increased slowly to 4,000 barrels of water per day. Concurrent injection and production from the field commenced on 25th December 2003 and is expected to continue for the remainder of the test.

Oil produced during the test is being trucked and sold to BP Kwinana Refinery.

Design of the Jingemia production facilities for permanent, long-term production continued during the quarter. Activities required for the issue of a Production License covering the field also continued during the quarter. This included discussions with the single Registered Native Title Claimant. It is expected that all requirements for the issue of a Production License will be completed during early 2004.

Activities associated with the application to conduct a 3D seismic survey over the northern portion of EP-413, including the Jingemia Oil Field, were ongoing at the end of the Quarter. Following necessary Government and Joint Venture approvals, acquisition of the survey is expected to commence in conjunction with a survey in near by L1 and L2 during the second quarter of 2004.

WA-226-P Northern offshore Perth Basin 7.5%

Processing of the 522 square kilometre Maccallan 3D Seismic Survey was finalised during the quarter. Interpretation of these data is underway. The survey was designed to mature further prospects for drilling.

Following ongoing assessment and necessary Joint Venture and Government approvals, it is expected that the Fiddich 1 exploration well will be drilled during the second Quarter of 2004.

As previously announced Norwest sold an option to Roc Oil Company Limited in this permit in return for an agreement whereby Roc would fund up to \$525,000 of Norwest's 7.5% share of the Macallan Seismic Survey. In the event that Roc exercises this option, it will pay Norwest a further cash payment of \$200,000. If a discovery is declared commercial, Roc will make a one-time payment to Norwest of \$375,000.

EP-419 Northern Onshore Perth Basin 80% Operator

Evaluation of prospects mapped from existing seismic data continued during the quarter. Further seismic is required prior to drilling. Norwest will seek to farmout portion of its interest in this permit to have its costs of the seismic and drilling paid by another party.

EP-368 Northern Perth Basin 10%

Evaluation of EP-368 to investigate possible Hovea Style structures at the Dongara Sandstone level continued during the quarter.

EP-364 Offshore Carnarvon Basin 10%

Evaluation of the recently drilled Cyrano 1 indicates that it is sub-economic. A further well is likely to be drilled during 2004 to further investigate the potential of the Cyrano area.

AC/P32 Vulcan Sub-basin Timor Sea 65.39% reducing to 49% paying 41.85% Operator

The Joint Venture believes it is prudent to reprocess the Onnia 3D Seismic data over prospects mapped within AC/P32 prior to selecting a drill location. Application has been made to the Designated Authority to enable reprocessing of these data prior to making a decision to drill. Processing contractors have tendered for this project and the Joint Venture is waiting a formal response from the Designated Authority to enable the reprocessing to be undertaken prior to drilling.

AC/P22 Vulcan Sub-basin Timor Sea 45% reducing to 10%

Evaluation of the reprocessed Onnia 3D Seismic data within the permit continued during the quarter.

New Permit Offered Northern Onshore Perth Basin 33 1/3%

As reported in the last quarterly, Norwest together with Arc and CalEnergy of the UK have been offered a petroleum exploration permit over gazetted area L02-6. The application is continuing through the Native Title phase prior to formal award.

CORPORATE

- ❖ Mr Peter Munachen was appointed a director of the Company following the unexpected death of Mr Colin Crabb
- ❖ During October 2003 the Company issued 5,000,000 shares to raise \$200,000 before costs at 4 cents per share.

EXPENDITURE

The group spent about \$386,000.00 on exploration and evaluation activities during the quarter ending 31st December 2003.

For and on behalf of
Norwest Energy NL
27 January 2004

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

NORWEST ENERGY NL

ABN

65 078 301 505

Quarter ended ("current quarter")

31 December 2003

Consolidated statement of cash flows

		Current quarter	Year to date
		\$A 000	(6 months) \$A 000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	24	75
1.2	Payments for (a) exploration and evaluation	(386)	(608)
	(b) development		
	(c) production		
	(d) administration	(135)	(389)
1.3	Dividends received		-
1.4	Interest and other items of a similar nature received	2	10
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid	-	-
1.7	Other (JV Management fees)	15	23
		(480)	(889)
Net Operating Cash Flows			
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a)prospects –deposit EP413	-	(487)
	(b)equity investments	-	-
	(c) other fixed assets	-	
1.9	Proceeds from sale of:		
	(a)prospects	-	-
	(b)equity investments	-	-
	(c)other fixed assets	-	-
1.10	Loans to other entities		
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)		
		-	(487)
	Net investing cash flows		
1.13	Total operating and investing cash flows (carried forward)	(480)	(1376)

1.13	Total operating and investing cash flows (brought forward)	(480)	(1376)
1.14	Cash flows related to financing activities Proceeds from issues of shares, options, etc.	200	200
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	25	25
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other – cost of share issue	(10)	(10)
	Net financing cash flows	215	215
	Net increase (decrease) in cash held	(265)	(1161)
1.20	Cash at beginning of quarter/year to date	304	1200
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	39	39

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	78
1.24	Aggregate amount of loans to the parties included in item 1.10	NIL

1.25 Explanation necessary for an understanding of the transactions

Administration charges for the quarter ending 31 December 2003 by a director related entity.

Director's fees and super	2
Director's salary and Super	38
Admin Management Fees	26
Corporate Secretary fees	<u>12</u>
Total	<u>78</u>

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

NIL

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

NIL

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A 000	Amount used \$A 000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A 000
4.1 Exploration and evaluation	432
4.2 Development (acquisition)	
Total	432

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A 000	Previous quarter \$A 000
5.1 Cash on hand and at bank	39	304
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other –		
Total: cash at end of quarter (item 1.22)	39	304

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	N/A			
6.2 Interests in mining tenements acquired or increased				

Issued and quoted securities at end of current quarter

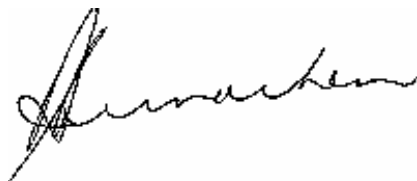
Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference +securities (description)	N/A			
7.2	Changes during quarter (a) Increases (b) Decreases				
7.3	+Ordinary securities	167,471,872	167,471,872		
7.4	Changes during quarter (a) Increases through issues (b) Decreases	5,000,000	5,000,000		
7.5	+Convertible debt securities (description)	N/A			
7.6	Changes during quarter (a) Increases (b) Decreases				
7.7	Options (description and conversion factor)	46,420,643 4,750,000	46,420,643	Exercise price 20 cents 25 cents 20 cents	Expiry date 31 December 2003 31 December 2004 28 November 2007
7.8	Issued during quarter	N/A			
7.9	Exercised during quarter	NIL	NIL		
7.10	Expired during quarter	NIL	NIL		
7.11	Debentures (totals only)	N/A	N/A		
7.12	Unsecured notes (totals only)	N/A	N/A		

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).

2 This statement does give a true and fair view of the matters disclosed.



Sign here: Date: 27/01/04
(Company Secretary)

Print name: Peter Munachen

Notes

1 The quarterly report provides a basis for informing the market how the entities activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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