

Indices and Prices	
All Ordinaries	5,810.90
Energy Index	9,229.10
Brent AU\$/bbl	72.7566
AUS\$/US\$	0.7661
Live Gold/AU\$	1,601.78
As at close 14 February 2017	

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## Norwest (NWE)

### FUNDS XANADU PROSPECT DRILLING

Capital Structure	
Code	NWE
Shares	2674.4 m.
Options	80.0 Av @ .024 cts
	2754.4
Price	\$0.004
Market Cap	\$ 10.7
Cash (est)	\$ 0.8

**Recommendation:** Triangle offers massive leverage to success.

**Norwest and Triangle represent speculative buys for upcoming drilling at Xanadu. Triangle is supported by its 57.5% ownership of the nearby Cliff Head oilfield, whose infrastructure could be critical for low cost development and production from any discovery at Xanadu.**

**Norwest Energy (NWE: ASX)** has fully farmed out an estimated \$5.25 million cost of drilling the Xanadu oil prospect in TP-15.

Drilling in H2 '17 will involve a deviated well from onshore to about 2 kilometres offshore. Well sorted Permian sediments of Dongara sandstone represent the prime target at a depth of 800 metres and then on to test secondary targets in the deeper, fluvio-deltaic Irwin River Coal Measures and regressive marine sands of the High Cliff Sandstone, which are both productive in other parts of the basin.

The company assumes a generous, 50% recovery factor for an estimated 320 million barrels of oil in place to calculate a target of 160 mmbbls of recoverable oil, but StockAnalysis prefers to err on the side of caution, applying a 20% factor to deliver an estimated prize of 64 mmbbls in total.

Gold Live AU\$



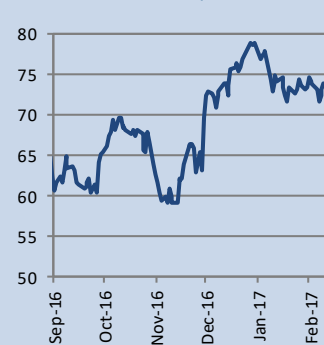
All Ordinaries



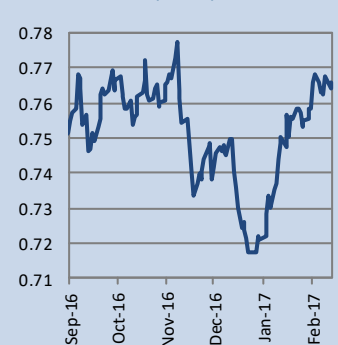
S&P ASX 200 Energy Index



Brent Crude Oil \$AU/barrel



AU\$/US\$

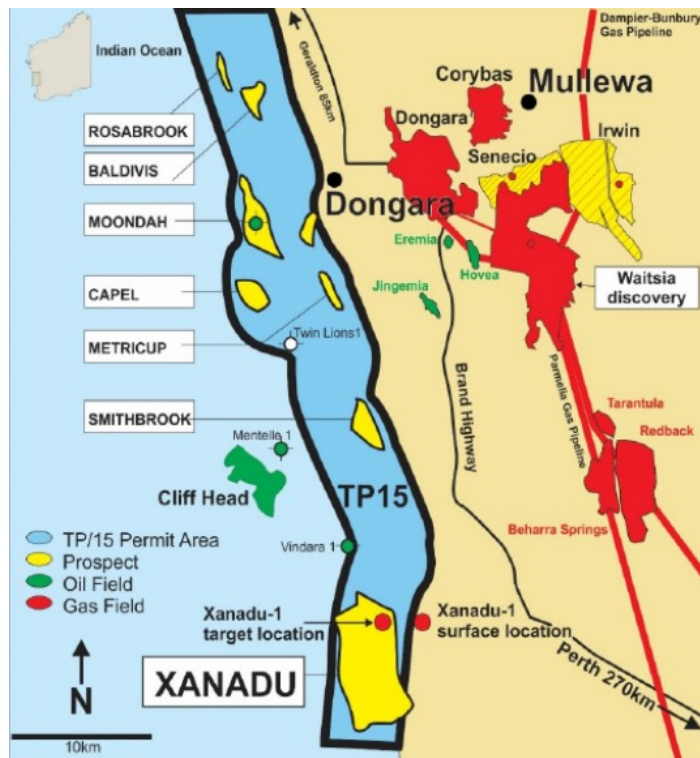


Probabilities of success at Xanadu are quite low, ranging from 6% to 14%, largely because the prospect is only defined by some 2D seismic data plus gravity data. Acquiring 3D seismic data at the shallow water locations overlying Xanadu is difficult, so drilling is progressing on the best geological information available.

Norwest aims to control drilling costs by linking in with an appraisal programme planned by AWE at the Waitsia gas project during Q2 '17. This should reduce mobilisation costs for the joint venture.

Norwest has attracted funding from the 3C Group, an East coast family office that is seeking to gain exposure to the energy industry. 3C will match Triangle (TEG: ASX), paying 40% of drilling costs to earn a 30% interest while Transerv has committed to pay 20% to earn 15%.

Transerv previously took a placement of 100 million NWE shares to gain a 3.7% holding, which translates to an additional 0.9% exposure to Xanadu. The 3C Group has also entered into a share placement agreement with NWE, subscribing for 208 million shares at 0.24 cents plus 60 million, one year options with the same exercise price.



Target	Prospective Res		POS %	NPV \$m
	mmbbl	Bcf		
Xanadu Dongara	5	0	14%	\$ 69
Xanadu IRCM	35	0	13%	\$ 503
Xanadu Highcliff	24	0	6%	\$ 343

**In-ground Value Assumptions**

Oil \$A/bbl \$ 14 /bbl  
 gas \$/GJ \$ 0.75 /GJ

Discovery Value per share	NWE	TSV	TEG
Post farmdown equity	25%	15%	30%
Xanadu Dongara	\$ 0.005	\$ 0.012	\$ 0.135
Xanadu IRCM	\$ 0.039	\$ 0.090	\$ 0.987
Xanadu Highcliff	\$ 0.026	\$ 0.061	\$ 0.673
<b>Total Risk Adjusted Value</b>	<b>\$ 0.007</b>	<b>\$ 0.016</b>	<b>\$ 0.172</b>
Current Price	\$ 0.004	\$ 0.012	\$ 0.037
<b>Discovery Leverage per share</b>	<b>1756%</b>	<b>1365%</b>	<b>4852%</b>

Source: Strachan Corporate

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The author has small holdings in shares of SUN, SGC, modest holdings in IGO, AZZG, TDO, SRI, ADX, ANZ, NAB, PTM, FAR WSA & WPL and larger holdings in RFX, AWE, FZR, RIC, HAV, IDR.



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