HALF–YEAR REPORT

TO 31 DECEMBER 2016

INCORPORATING

APPENDIX 4D DISCLOSURES

DIRECTORS’ REPORT

HALF-YEAR CONSOLIDATED FINANCIAL REPORT

AWE Limited and its controlled entities

For the half-year ended 31 December 2016

To be read in conjunction with the 2016 Annual Report

Half–year report 31 December 2016

Contents

About AWE

AWE Limited is an Australian energy company focused on upstream oil and gas opportunities. Established in 1997 and listed on the Australian Securities Exchange (ASX: AWE), the company is based in Sydney with project offices in Perth and New Zealand. AWE has a substantial portfolio of production, development and exploration assets in Australia, Indonesia and New Zealand.

Appendix 4D

For the half-year ended 31 December 2016

ABN	Previous corresponding period
70 077 897 440	31 December 2015

Results for announcement to the market				**A$'000**
Revenue from continuing ordinary activities	down	35%	to	35,237
Revenue from discontinued ordinary activities	down	71%	to	19,659
Total revenue	**down**	**55%**	**to**	**54,896**
Net loss for the period attributable to members	**up**	**95%**	**to**	**(12,481)**

Dividends	**Amount per security**	**Franked amount per security**
Interim dividend - current period	Nil	Nil
Interim dividend - previous corresponding period	Nil	Nil

NTA backing	**Current period**	**Previous corresponding period**
Net tangible asset backing per ordinary security	$0.53	$0.67

Change in ownership of controlled entities

AWE Limited has entered into an agreement to sell all outstanding shares of AWE New Zealand Pty Limited and AWE Taranaki Limited, which together own 57.5% of the Tui Area Oil Fields. The sale agreement has an effective date of 30 November 2016 and is subject to purchase price adjustments at completion which is anticipated to be imminent. AWE will continue to book production and revenue associated with the project until completion.

During the year ended 30 June 2016, AWE entered a Sale and Purchase Agreement for the sale of all the outstanding shares in AWE (North Madura) NZ Pty Limited. The sale has not yet completed and remains subject to Indonesian government approval for change in control of the Indonesian PSC. In addition, during the year ended 30 June 2016, AWE entered an agreement for the sale of the assets associated with the Bulu PSC, which includes the Lengo gas project. This sale is also subject to approval from the Indonesian government.

There was no gain or loss of control of any other entities during the 6 month period ended 31 December 2016 or thereafter up to the date of this report.

Dividend reinvestment plans

There are no dividend reinvestment plans in place.

Competent Persons Statement

The Reserves and Contingent Resources in this report are based on and fairly represent information and supporting documentation prepared by and under the supervision of qualified petroleum reserves and resource evaluators Dr. Suzanne Hunt, AWE General Manager WA Assets and Engineering, and Mr Andrew Furniss, AWE General Manager Exploration and Geoscience. Dr. Hunt, a Petroleum Engineer with a Ph.D. in Geomechanics, is a member of the Society of Petroleum Engineers and has over 20 years' experience in the petroleum sector in geoscience, field development planning, reserves estimation, reservoir production and facilities engineering. Mr Furniss, a member of the Society of Petroleum Engineers and the American Association of Petroleum Geologists, holds an MSc in Exploration Geophysics and a BSc (Hons) in Geological Sciences and has over 26 years' of industry experience in strategic planning, portfolio management, prospect evaluation, technical due diligence and peer review, reserves and resource assessment, the application of advanced geophysical technology and business development. Dr Hunt and Mr Furniss have consented in writing to the inclusion of this information in the format and context in which it appears.

AWE reserves and contingent resources are estimated in accordance with the following:

- SPE/AAPG/WPC/SPEE Petroleum Resources Management System guidelines of November 2011;
- SPEE Monograph 3 "Guidelines for the Practical Evaluation of Undeveloped Reserves in Resource Plays";
- ASX Disclosure rules for Oil and Gas Entities, Chapter 5; and
- ASX Listing Rules Guidance Note 32.

AWE applied deterministic methods for reserves and contingent resource estimation for all assets. The reserves were estimated at the lowest aggregation level (reservoir) and aggregated to field, asset, basin and company levels. Estimated contingent resources are un-risked and it is not certain that these resources will be commercially viable to produce.

Directors' report

The directors present their report together with the consolidated interim financial statements of AWE Limited and its subsidiaries (collectively the "Group" or the "Company") for the six months ended 31 December 2016 and the Auditor's review report thereon.

Operating and financial review

This operating and financial review forms part of the Directors' Report and provides information to assist users to assess the operations and financial position of AWE.

1.1. Performance

Operating highlights

The company's production assets performed as expected during the half-year ended 31 December 2016. Key highlights included:

- Waitsia 1A well performance in its first 3 month of operations exceeded AWE's (Operator) pre-production expectations and confirmed a high quality conventional reservoir system with excellent connectivity
- Pre- Front End Engineering Design (FEED) work for Waitsia Stage 2 commenced
- Waitsia Stage 2 gas sales marketing process made excellent progress and discussions with potential customers are well advanced
- The BassGas Mid Life Enhancement program is nearing completion and compression remains on schedule for start-up in Q4 of FY17
- The Tui sale completes AWE's asset divestment program and reduces future abandonment liabilities by approximately $70 million.

The following tables provide an overview of production and the financial performance of AWE for the six month period ended 31 December 2016 as detailed in the half-year financial report.

Production	6 months to 31-Dec-16 mmboe (2)	6 months to 31-Dec-15 mmboe (2)	Variance %
Continuing operations(1)			
Gas	**1.05**	1.17	(11%)
LPG production	**0.08**	0.11	(28%)
Condensate production	**0.09**	0.11	(20%)
Oil	**-**	0.14	(>100%)
Total production from continuing operations	**1.22**	1.53	(20%)
Discontinued operations(1)			
Gas	**-**	0.26	(>100%)
LPG production	**-**	0.21	(>100%)
Condensate production	**-**	0.42	(>100%)
Oil	**0.30**	0.45	(33%)
Total production from discontinued operations	**0.30**	1.34	(78%)
Total production	**1.52**	2.87	(47%)

Financial performance Continuing operations(1), (5)	$million	$million	%
Sales revenue (3)	**34.6**	53.6	(36%)
Production costs and royalties	**(20.4)**	(27.7)	27%
Field EBITDAX (4)	**14.2**	25.9	(45%)
Exploration and evaluation expense	**(1.5)**	(17.4)	91%
Amortisation	**(16.4)**	(29.6)	45%
Net financing expense	**(2.9)**	(4.1)	30%
Impairment	**-**	(182.8)	>100%
Other income / (expense)	**(4.6)**	(7.0)	35%
Statutory net loss before tax	**(11.1)**	(215.1)	95%
Tax (expense) / benefit	**(10.8)**	3.8	(>100%)
Statutory net loss after tax (NPAT)	**(21.9)**	(211.3)	90%

Financial performance Discontinued operations[1], [5]	$million	$million	%
Sales revenue [3]	**19.6**	68.5	(71%)
Production costs and royalties	**(14.5)**	(37.2)	61%
Field EBITDAX [4]	**5.1**	31.3	(84%)
Exploration and evaluation expense	**-**	0.6	>100%
Amortisation	**(4.0)**	(34.1)	88%
Net financing expense	**-**	(1.7)	>100%
Impairment	**-**	(54.0)	>100%
Other income / (expense)	**-**	(0.6)	>100%
Statutory net profit / (loss) before tax	**1.1**	(58.4)	>100%
Tax benefit / (expense)	**8.3**	(4.2)	>100%
Statutory net profit / (loss) after tax (NPAT)	**9.4**	(62.6)	>100%
Statutory net loss after tax (NPAT) total	**(12.5)**	(273.9)	95%

To assist users reconcile the underlying performance, the following table provides a reconciliation of NPAT (inclusive of continuing and discontinued operations) and the impact of non-recurring items.

Reconciliation of underlying NPAT (Loss)	6 months to 31-Dec-16 $million	6 months to 31-Dec-15 $million
Statutory NPAT (Loss)	**(12.5)**	(273.9)
Non-recurring items after tax:		
Impairment of exploration and oil and gas assets	**-**	191.3
Restructuring costs	**1.0**	5.0
Derecognition of tax losses	**-**	14.8
Total non-recurring items (after tax)	**1.0**	211.1
Underlying NPAT (Loss)[5]	**(11.5)**	(62.9)

Note: numbers may not add due to rounding.

1. For the 6 months ended 31 December 2016, discontinued operations include only the results associated with the Tui Area Oil Field. AWE has entered an agreement to sell all outstanding shares in AWE New Zealand Pty Limited and AWE Taranaki Limited, which together own 57.5% of the Tui Area Oil Fields. The sale agreement has an effective date of 30 November 2016 and is subject to purchase price adjustments at completion which is anticipated to be imminent. AWE will continue to book production and revenue associated with the project until completion. All other operations are disclosed as continuing operations.

For the 6 months ended 31 December 2015, discontinued operations include results associated with the Sugarloaf Area of Mutual interest, the divestment of which completed in March 2016 as well as the half-year results of the Tui Oil Field. All other operations are disclosed as continuing operations.

2. mmboe refers to million barrels of oil equivalent.
3. Sales revenue from oil and gas and includes the impact of realised hedges.
4. EBITDAX includes sales revenue less production costs and royalties. Refer note 2.1 for information by segment.
5. AWE's Financial Report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS). The underlying (non-IFRS) profit is unaudited but is derived from the reviewed accounts by removing the impact of non-recurring items from the reported (IFRS) reviewed profit. AWE believes the non-IFRS profit reflects a more meaningful measure of the consolidated entity's underlying performance.

Financial performance

AWE reported a statutory net loss after tax of $12.5 million for the half-year to 31 December 2016 compared to a net loss after tax of $273.9 million for the previous corresponding half-year. The 2015 result included a net impairment charge after tax of $191.3 million ($236.8 million pre-tax).

After adjusting for non-recurring items of $1.0 million after tax related to restructure costs, an underlying loss of $11.5 million was recognised for the period. This compared to an underlying loss of $62.9 million for the previous corresponding period.

Total oil and gas production of 1.52 mmboe for the period was in line with guidance, but 47% lower than the previous corresponding period of 2.87 mmboe reflecting the divestment of Sugarloaf and Cliff Head. The ratio of gas to liquids production was 69:31 for the 6 month period ended 31 December 2016, compared to 50:50 in the six months ended 31 December 2015. Production from continuing operations for the period was 1.22 mmboe compared to 1.53 mmboe a fall of 20% reflecting natural field decline and scheduled maintenance at BassGas and Casino. The ratio of gas to liquids production for continuing operations was 86:14 for the 6 month period ended 31 December 2016, compared to 76:24 in the six months ended 31 December 2015.

AWE recorded oil and gas sales revenue from continuing and discontinued operations for the period of $34.6 million and $19.6 million respectively; resulting in total oil and gas revenue of $54.2 million, down 56% compared to $122.1 million for the previous corresponding period. The decline reflects the lower revenue base following the Sugarloaf and Cliff Head divestment, a delayed previous corresponding period. The decline reflects the lower revenue base following the Sugarloaf and Cliff Head divestment, a delayed lifting at Tui and planned maintenance at Casino and BassGas in the December quarter as well as a realised hedge loss related to Tui of $0.9 million for the half year, compared to a hedge gain of $4.2m for the previous corresponding period.

The average realised oil price for the period, including hedging was 6% higher at $61.18 per barrel, compared to $57.78 for the corresponding period. At 31 December 2016, the mark to market value of remaining oil price hedges was a liability of $2.6 million. The AWE hedge book will be closed out upon completion of the sale of the Tui Area Oil Field and charged to the acquirer.

Operating costs (production and royalties) from continuing and discontinued operations for the period was $20.4 million and $14.5 million respectively; resulting in total operating costs of $34.9 million, down 46% from $64.9 million. The reduction in costs was largely due to the removal of Sugarloaf and Cliff Head costs following the FY16 divestments as well as operating cost reductions achieved at BassGas.

Field EBITDAX from continuing and discontinued operations of $14.2 million and $5.1 million respectively, totalled $19.3 million, compared to $57.2 million for the previous half-year.

The Company incurred and expensed total exploration and evaluation costs of $1.5 million during the period, compared to $18.2 million in the prior corresponding period, reflecting continuing efforts to manage discretionary expenditures.

The taxation expense from continuing operations was $10.8 million and the taxation benefit arising from discontinued operations was $8.3 million, resulting in a net taxation expense of $2.6 million compared to a taxation expense of $0.4 million for the previous corresponding period. The total taxation expense includes the write off of the current periods Australian tax losses of $5.3 million and the current period New Zealand tax losses of $2.2 million.

Net cash from operating activities was $3.7 million for the half-year, compared to $29.3 million for the previous corresponding period, reflecting lower cash receipts following the divestment of Sugarloaf and Cliff Head, and no lifting of Tui production in the December quarter.

1.2. Summary of financial position

At 31 December 2016, the Company was in a net debt position of $20.0 million with cash of $23.4 million (inclusive of $2.5 million classified as held for sale related to Tui) and drawn debt of $43.4 million, leaving undrawn facilities of $256.6 million. This compares to a net debt position of $197.0 million and 31 December 2015 and a net cash position of $17.8 million as at 30 June 2016.

1.3. Production and development operations

						ADJUSTED [1]		UNADJUSTED	
	6 mths to 31 December 2016					12 mths to 30-Jun-16	6 mths to 31-Dec-15	12 mths to 30-Jun-16	6 mths to 31-Dec-15
Production [1] (mmboe)	**Western Australia**	**South East Australia**	**New Zealand**	**Indonesia**	**Total**	**Total**	**Total**	**Total**	**Total**
Gas	0.24	0.81	-	-	**1.05**	**2.22**	**1.17**	**2.59**	**1.43**
LPG	**-**	0.08	-	-	**0.08**	**0.22**	**0.11**	**0.52**	**0.32**
Condensate	-	0.09	-	-	**0.09**	**0.22**	**0.11**	**0.84**	**0.53**
Oil	-	-	0.30	-	**0.30**	**0.79**	**0.45**	**1.07**	**0.59**
Total (mmboe)	**0.24**	**0.98**	**0.30**	**-**	**1.52**	**3.45**	**1.84**	**5.02**	**2.87**
Development Expenditure ($m)	**5.8**	**9.6**	**-**	**9.0**	**24.4**	**94.1**	**51.7**	**120.3**	**70.0**

(1) Production data and development expenditure for prior periods has been adjusted to exclude Sugarloaf (a discontinued operation) and Cliff Head (not classified as a discontinued operation, but divested on 30 June 2016) following their divestment. Current period and prior period includes Tui production and development expenditure.

Total oil and gas production of 1.52 mmboe compared to 1.84 mmboe for the previous corresponding period, adjusted to exclude production from Sugarloaf and Cliff Head which have since been divested. The adjusted reduction of 0.32 mmboe reflects declining production volume from Tui (0.15 mmboe) and the planned maintenance shutdowns at BassGas and Casino.

Western Australia

Waitsia Gas Project (50%, Operator), Onshore Perth Basin

Stage 1A of the Waitsia Gas Project commenced production in August 2016 and AWE's share of gross production was 0.09 mmboe (539TJ) for the 6 month period ended 31 December 2016.

Preliminary results from the two wells under the extended production test have exceeded AWE's (Operator) pre-production expectations. The production performance over the first three months of operations confirmed a high quality conventional reservoir system with excellent connectivity for the Kingia Sandstone (produced from Senecio-3) and the High Cliff Sandstone (produced from Waitsia-1).

During the December quarter, the Waitsia Stage 2 project commenced pre-FEED work. Final preparations are being made to drill two appraisal wells on the Waitsia field in the first half of Calendar Year (CY) 2017. These wells will conclude Stage 2 appraisal drilling and may lead to conversion of significant 2C Contingent Resources to 2P Reserves following analysis and evaluation.

AWE is aiming to contract substantial gas volumes in CY 2017 ahead of making a Financial Investment Decision on the Waitsia stage 2 project. During the period, a tender process for Waitsia Stage 2 gas sales was completed with a high number of responses from potential customers. Waitsia Stage 2 is expected to supply approximately 100 TJ/d of gas for 10 years. Feedback from potential customers indicates that Waitsia gas is a welcome addition to the Western Australia domestic gas market as it increases competition among producers, provides diversity of supply and improves security of supply by offering a lower risk onshore supply option. Bid volumes totalled more than double the Joint Venture's current 2P Reserves, and the decision to align first production with customer demand from 2020 onwards is bearing out. Negotiations for gas sales are well advanced with a selected shortlist of buyers.

Onshore Perth Basin (33–100%, some Operated)

AWE's share of gross production from the various onshore Perth Basin assets was 0.147 mmboe compared to 0.209 mmboe for the previous corresponding period.

AWE's program to decommission non-producing wells and rehabilitate well sites is proceeding as planned and will continue over the coming years. Total decommissioning and rehabilitation expenditure charged to existing provisions for the half-year ended 31 December 2016 was $2.1 million.

South East Australia

BassGas Project (35%), Bass Basin

The BassGas project achieved gross production for the six month period ended 31 December 2016 of 7.6 PJ of gas, 249,000 barrels of condensate and 21,100 tonnes of LPG. AWE's share was comprised 2.7 PJ of gas, 87,000 barrels of condensate and 7,400 tonnes of LPG. Production for the period decreased by 19% over the previous corresponding period impacted by a 26-day planned BassGas integrity shutdown in November-December 2016. No incidents were recorded during the shutdown. The average gross daily rate for the first half, excluding planned downtime, was 47.8 TJ/d. The production performance from BassGas is currently better than the Operators forecasts.

Work to hook-up and commission the compression and condensate pumping modules on the Yolla Platform continued on schedule, with start-up targeting Q4 of Financial Year 17.

Casino Gas Project (25%), Otway Basin

AWE's share of gross production from the Casino gas project, including the Casino, Henry and Netherby gas fields, was 2.2 PJ of gas and 1,100 barrels of condensate. Production for the period was impacted by an 11-day planned plant maintenance at the Iona Production Facility in November 2016. No incidents were recorded during the shutdown. The average gross daily rate for the first half, excluding planned downtime, was 51.6 TJ/d.

New Zealand

Tui Area Oil Fields (57.5%, Operator), Taranaki Basin

Gross production from the Tui Oil Fields of 0.297 mmboe for the six month period ended 31 December 2016 was down 33% from the previous corresponding period of 0.447 mmboe reflecting natural field decline. Two liftings were completed in the September quarter, however no liftings were undertaken in the December quarter.

Indonesia

Ande Ande Lumut Oil Project (50%), Northwest Natuna Sea

Analysis of data and oil samples from the AAL-4XST1 appraisal well is ongoing. Work is underway to optimise the field development in light of the new data from the appraisal well. Assessment of the G-Sand resource is ongoing along with laboratory work to assess feasibility of co-mingled production of K-sand and G-sand oil. Following completion of this work, AWE will review reserves and resources associated with both reservoirs with a view to future development. Technical evaluation of Floating Production Storage & Offloading vessel (FPSO) and Well Head Platform (WHP) tenders is complete and the Operator is preparing recommendations for Stage 2 commercial tenders. Project economics are being updated in light of improved crude quality, improved oil prices through the quarter and anticipated reduced FPSO, WHP, and drilling costs.

1.4. Exploration operations

	31 December 2016					6 mths to 31-Dec-16	12 mths to 30-Jun-16	6 mths to 31-Dec-15
	Western Australia	South East Australia	New Zealand	Indonesia	China	Total	Total	Total
Exploration Expenditure ($m)	1.3	0.3	0.1	0.1	-0.1	1.7	18.8	17.1

The Company continues to manage its exploration portfolio by deferring or reducing all discretionary exploration activity and is currently reviewing and ranking prospects and inventory. The Company is currently running a farmout process for all 100% held permits to seek partners and manage near to mid-term exploration cost exposure.

Australia

Bass Basin
In T/RL2 (AWE 40%), the Operator is progressing development concept studies for the Trefoil Field.

Otway Basin
In permit VIC/P44 (AWE 25%), the Joint Venture is reviewing options for a possible future exploration program that on success could tie into existing infrastructure at Casino Field.

Onshore Perth Basin
In EP455 (AWE 81.5%, Operator), work is underway to review the remaining prospectivity in the permit in light of the Drover-1 well results.

In EP413 (AWE 44.25%), the Joint Venture has obtained a 12 month extension to review permit options and potential exploration targets for a future well.

In EP320 (AWE 33.33%), the Joint Venture has renewed the permit for a further five year term with the focus being near-field exploration to tie into the Beharra Springs production facility. Work is underway to mature significant Waitsia-style prospects in the Kingia and High Cliff sandstones (Beharra Deep).

Offshore Perth Basin
In WA-512P (AWE 100%), 2D and 3D PSDM seismic reprocessing is complete and interpretation of the data is ongoing. A farmout process is underway.

North Carnarvon Basin
In WA-497P (AWE 100%, Operator), work continues to progress prospects to drillable status. A farmout process is underway.

In WA-511P (AWE 100%, Operator), interpretation of the multi-client Eendracht 3D seismic survey data is complete. Seismic attribute studies are underway to de-risk the gas-prone prospects. A farmout process is underway.

New Zealand

Taranaki Basin
In onshore permit PEP 55768 (AWE 51%, Operator), the Joint Venture continues to optimise the well location for Kohatukai-1 and a farmout process is underway.

1.5. Outlook

As a consequence of the divestment of Tui, the production and revenue guidance has been amended to a range of 2.7 -2.8 mmboe in respect of production and to a range of $100 - $110 million for revenue, down from 2.7-3.0 mmboe and $100 - $120 million respectively.

Directors

The directors of the Company at any time during the six months or since the end of the period are:

Current Director	Position
Bruce Phillips	Chairman
David Biggs	CEO and Managing Director
Kenneth Williams	Deputy Chairman
David McEvoy	Director
Ray Betros	Director
Karen Penrose	Director

Events subsequent to balance date

There has not been in the period since 31 December 2016 and up to the date of this report any other items, transaction or events of a material and unusual nature likely in the opinion of the Directors, to affect substantially the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years.

Rounding off

The consolidated entity is of a kind referred to in ASIC Corporations (rounding in Financial / Directors' Reports) Instrument 2016/191 and in accordance with that Class Order, amounts in the financial statements and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Auditor's independence declaration

A copy of the auditor's independence declaration as required by section 307C of the Corporations Act 2001 (Cth) is set on page 10 of this report.

Signed in accordance with a Resolution of the Directors.

Bruce Phillips
Chairman
Dated at Sydney this 28th day of February 2017.

David Biggs
CEO and Managing Director

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Auditor's Independence Declaration to the Directors of AWE Limited

As lead auditor for the review of AWE Limited for the half-year ended 31 December 2016, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of AWE Limited and the entities it controlled during the financial period.

Ernst & Young

Trent van Veen
Partner
28 February 2017

Half-year financial report

Consolidated income statement

For the six months ended 31 December 2016

	Note	31 December 2016 $'000	31 December 2015 $'000
Continuing operations			
Revenue	2.2	**35,237**	54,604
Cost of sales	2.3	**(36,753)**	(57,322)
Net loss from producing assets		**(1,516)**	(2,718)
Other income	2.4	**391**	36
Exploration and evaluation expenses	3.1	**(1,486)**	(17,436)
Impairment		**-**	(182,848)
Other expenses	2.5	**(5,568)**	(7,998)
Results from continuing operating activities		**(8,179)**	(210,964)
Finance income	4.1	**735**	2,646
Finance costs	4.1	**(3,618)**	(6,772)
Net finance costs	4.1	**(2,883)**	(4,126)
Loss before tax from continuing operations		**(11,062)**	(215,091)
Income tax (expense) / benefit		**(12,051)**	10,213
Royalty related taxation benefit / (expense)		**1,235**	(6,399)
Total tax (expense) / benefit		**(10,816)**	3,814
Loss from continuing operations		**(21,878)**	(211,277)
Discontinued operations			
Revenue from discontinued operations	2.2 / 2.6	**19,659**	68,511
Expenses from discontinued operations	2.3 / 2.6	**(18,523)**	(126,932)
Profit / (loss) before tax from discontinued operations	2.6	**1,136**	(58,421)
Income tax benefit / (expense) from discontinued operations	2.6	**9,377**	(1,836)
Royalty related taxation expense from discontinued operations	2.6	**(1,116)**	(2,392)
Total tax benefit / (expense)	2.6	**8,261**	(4,228)
Profit / (loss) from discontinued operations	2.6	**9,397**	(62,649)
Loss attributable to members of the Company		**(12,481)**	(273,926)
Earnings per share from continuing and discontinued operations			
Basic loss per ordinary share (cents)		**(2.37)**	(52.03)
Diluted loss per ordinary share (cents)		**(2.37)**	(52.03)
Earnings per share from continuing operations			
Basic loss per ordinary share (cents)		**(4.15)**	(40.15)
Diluted loss per ordinary share (cents)		**(4.15)**	(40.15)

The above consolidated income statement is to be read in conjunction with the notes to the financial statements.

Consolidated statement of comprehensive income

For the six months ended 31 December 2016

	Note	31 December 2016 $'000	31 December 2015 $'000
Loss for the period		**(12,481)**	(273,926)
Items that may be reclassified subsequently to profit and loss			
Changes in the fair value of cash flow hedges in the 6 month period	4.5	**(364)**	11,271
Income tax effect for fair value of cash flow hedges		**101**	(3,508)
Foreign currency translation differences for foreign operations		**5,757**	23,060
Other comprehensive income (net of income tax)		**5,494**	30,823
Total comprehensive loss for the period		**(6,987)**	(243,103)
Total comprehensive loss attributable to members of the Company		**(6,987)**	(243,103)

The above consolidated statement of comprehensive income is to be read in conjunction with the notes to the financial statements.

Consolidated statement of financial position

As at 31 December 2016

	Note	31 December 2016 $'000	30 June 2016 $'000
Current assets			
Cash and cash equivalents		**20,929**	32,562
Trade and other receivables		**20,253**	16,423
Inventory		**2,526**	14,140
Held for sale assets	3.3	**58,683**	24,083
Total current assets		**102,391**	87,208
Non-current assets			
Trade and other receivables		**111,559**	109,748
Exploration and evaluation assets	3.1	**33,224**	32,995
Oil and gas assets	3.2	**378,818**	375,666
Other plant and equipment		**1,624**	1,890
Land and buildings		**12,190**	12,190
Intangible assets		**277**	577
Deferred tax assets		**117,523**	131,493
Total non-current assets		**655,215**	664,559
Total assets		**757,606**	751,767
Current liabilities			
Trade and other payables		**37,076**	57,242
Employee benefits		**1,351**	1,487
Derivative financial instruments	3.3 / 4.5	**-**	2,264
Liabilities associated with assets held for sale	3.3	**81,774**	3,810
Provisions		**14,926**	14,643
Taxation payable		**2,342**	2,363
Total current liabilities		**137,469**	81,809
Non-current liabilities			
Interest bearing liabilities	4.2	**43,404**	14,813
Employee benefits		**215**	597
Provisions		**132,127**	203,872
Deferred tax liabilities		**15,084**	14,995
Total non-current liabilities		**190,830**	234,277
Total liabilities		**328,299**	316,086
Net assets		**429,307**	435,681
Equity			
Issued capital	4.3	**772,172**	772,172
Reserves		**106,381**	100,274
Retained profits / (losses)		**(449,246)**	(436,765)
Total equity		**429,307**	435,681

The above consolidated statement of financial position is to be read in conjunction with the notes to the financial statements.

Consolidated statement of cash flows

For the six months ended 31 December 2016

	31 December 2016 $'000	31 December 2015 $'000
Cash flows from operating activities		
Cash receipts in the course of operations	**60,283**	146,002
Cash payments in the course of operations	**(50,285)**	(93,061)
Payments for exploration and evaluation expenses	**(2,032)**	(15,024)
Interest received	**29**	226
Borrowing costs paid	**(1,958)**	(4,206)
Income tax refunded / (paid)	**1,642**	(1,552)
Royalty related taxation paid	**(4,012)**	(3,097)
Net cash provided by operating activities	**3,667**	29,288
Cash flows from investing activities		
Oil and gas assets	**(38,308)**	(99,933)
Other plant and equipment and intangibles	**(19)**	(209)
Payments relating to sale of assets	**(5,761)**	-
Proceeds from sale of Tui oil and gas asset	**201**	-
Net cash used in investing activities	**(43,887)**	(100,142)
Cash flows from financing activities		
Repayment of borrowings	**(2,640)**	-
Proceeds from borrowings	**30,319**	54,591
Net cash provided by financing activities	**27,679**	54,591
Net decrease in cash held	**(12,541)**	(16,263)
Cash at the beginning of the period	**32,562**	46,559
Effect of exchange rate fluctuations on the balances of cash held in foreign currencies	**908**	(152)
Cash at the end of the period	**20,929**	30,144

The above consolidated statement of cash flows is to be read in conjunction with the notes to the financial statements.

Consolidated statement of changes in equity

For the six months ended 31 December 2016

	Share capital $'000	Equity compensation reserves $'000	Translation and other reserves $'000	Retained earnings $'000	Total equity $'000
For the six months ended 31 December 2015					
Balance at 1 July 2015	772,172	17,377	90,346	(73,744)	806,151
Loss for the period	-	-	-	(273,926)	(273,926)
Other comprehensive income					
Changes in the fair value of cash flow hedges net of tax	-	-	7,763	-	7,763
Foreign currency translation differences for foreign operations	-	-	23,060	-	23,060
Total other comprehensive income	-	-	30,823	(273,926)	(243,103)
Transactions with owners in their capacity as owners					
Contributions by and distributions to members:					
Share Rights Plan	-	917	-	-	917
Balance at 31 December 2015	772,172	18,294	121,169	(347,670)	563,965
For the six months ended 31 December 2016					
Balance at 1 July 2016	**772,172**	**18,312**	**81,962**	**(436,765)**	**435,681**
Loss for the period	**-**	**-**	**-**	**(12,481)**	**(12,481)**
Other comprehensive income					
Changes in the fair value of cash flow hedges net of tax	**-**	**-**	**(263)**	**-**	**(263)**
Foreign currency translation differences for foreign operations	**-**	**-**	**5,757**	**-**	**5,757**
Total other comprehensive income	**-**	**-**	**5,494**	**(12,481)**	**(6,987)**
Transactions with owners in their capacity as owners					
Contributions by and distributions to members:					
Share Rights Plan	**-**	**613**	**-**	**-**	**613**
Balance at 31 December 2016	**772,172**	**18,925**	**87,456**	**(449,246)**	**429,307**

The above consolidated statement of changes in equity is to be read in conjunction with the notes to the financial statements.

Notes to the half-year consolidated financial statements

Section 1: Basis of preparation

1.1. Reporting entity

The interim consolidated financial statements of AWE Limited and its subsidiaries (collectively the "Group") for the six months ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on 28 February 2017.

AWE Limited is a for profit company limited by shares, domiciled and incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange ("ASX").

1.2. Basis of preparation

This half-year report has been prepared in accordance with AASB 134: Interim Financial Reporting and the Corporations Act 2001.

The interim consolidated financial statements do not include all of the information required in the annual financial statements, and should be read in conjunction with the Group's latest annual financial statements as well as in conjunction with public announcements made by the Company during the six period ended 31 December 2016, in accordance with the continuous disclosure obligations of the ASX listing rules.

1.3. Significant accounting judgements, estimates and assumptions

The significant accounting judgements, estimates and assumptions adopted in the half year financial report are consistent with those applied in the preparation of the Group's annual financial report for the year ended 30 June 2016.

Section 2: Financial performance

2.1. Operating segments

Description of segments
The operating segments are based on the reports reviewed by the CEO and Managing Director for assessing performance and determining the allocation of resources and strategic decision making within the Group. The CEO and Managing Director considers the business from both a product and a geographic perspective and on this basis has identified six reportable segments. For each reportable segment, internal management reports are reviewed on a regular basis. The following summary describes the operations in each of the Group's reportable segments:

South East Australia	Production and sale of gas, condensate and LPG from the BassGas (T/L1, Bass Basin, offshore southern Australia) and Casino (VIC/L 24, Otway Basin, offshore southern Australia) projects.
Western Australia	Production and sale of oil and gas from the Perth Basin, onshore, Western Australia. The Cliff Head oil project was previously included in the WA segment, however this asset was divested on 30 June 2016.
Discontinued: New Zealand	Production and sale of crude oil from the Tui Area oil project (PMP 38158, offshore Taranaki Basin, New Zealand).
Indonesia	The Northwest Natuna PSC development assets comprising the undeveloped Ande Ande Lumut oil (AAL) field.
Discontinued – USA	Production and sale of gas, NGL and condensate from the Sugarloaf AMI (Texas, United States of America).
Exploration Activities	Exploration and evaluation activities within the production licences and exploration permits held by AWE in Australia and New Zealand.

The following table presents revenue and profit information as well as segment asset information for the consolidated entity for the six months ended 31 December 2016 and 2015.

	South East Australia		Western Australia		Indonesia		Exploration Activities		Total continuing operations		New Zealand - Discontinued [(1)]		USA - Discontinued [(2)]		Total discontinued operations		Total operations	
	31-Dec-16	31-Dec-15	**31-Dec-16**	31-Dec-15	**31-Dec-16**	31-Dec-15	**31-Dec-16**	31-Dec-15	**31-Dec-16**	31-Dec-15	**31-Dec-16**	31-Dec-15	**31-Dec-16**	31-Dec-15	**31-Dec-16**	31-Dec-15	**31-Dec-16**	31-Dec-15
Segment income	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Sales revenue	**29,620**	37,168	**4,945**	16,445	**-**	-	**-**	-	**34,565**	53,613	**19,619**	27,449	**-**	41,021	**19,619**	68,470	**54,184**	122,083
Production costs	**(14,834)**	(13,763)	**(5,415)**	(13,554)	**-**	-	**-**	-	**(20,249)**	(27,317)	**(14,512)**	(18,682)	**-**	(8,823)	**(14,512)**	(27,505)	**(34,761)**	(54,822)
Royalties	**(30)**	(26)	**(92)**	(379)	**-**	-	**-**	-	**(122)**	(405)	**-**	-	**-**	(9,701)	**-**	(9,701)	**(122)**	(10,106)
Segment result before amortisation	**14,756**	23,379	**(562)**	2,512	**-**	-	**-**	-	**14,194**	25,891	**5,107**	8,767	**-**	22,497	**5,107**	31,264	**19,301**	57,155
Exploration and evaluation expenses	**-**	-	**-**	-	**-**	-	**(1,486)**	(16,806)	**(1,486)**	(16,806)	**-**	-	**-**	-	**-**	-	**(1,486)**	(16,806)
Amortisation	**(14,392)**	(21,562)	**(1,990)**	(8,037)	**-**	-	**-**	-	**(16,382)**	(29,599)	**(4,002)**	(11,669)	**-**	(22,410)	**(4,002)**	(34,079)	**(20,384)**	(63,678)
Impairment	**-**	(126,418)	**-**	(17,718)	**-**	(13,376)	**-**	(25,335)	**-**	(182,847)	**-**	(53,996)	**-**	-	**-**	(53,996)	**-**	(236,843)
Reportable segment loss	**364**	(124,601)	**(2,552)**	(23,243)	**-**	(13,376)	**(1,486)**	(42,141)	**(3,674)**	(203,361)	**1,105**	(56,898)	**-**	87	**1,105**	(56,811)	**(2,569)**	(260,172)
Unallocated income/(expenses)																		
Other revenue																	**712**	1,032
Other income																	**412**	36
Net financing income expense																	**(2,913)**	(5,780)
Other expense																	**(5,568)**	(8,628)
Net loss before income tax																	**(9,926)**	(273,512)
	31-Dec-16	30-Jun-16	**31-Dec-16**	30-Jun-16	**31-Dec-16**	30-Jun-16	**31-Dec-16**	30-Jun-16	**31-Dec-16**	30-Jun-16	**31-Dec-16**	30-Jun-16	**31-Dec-16**	30-Jun-16	**31-Dec-16**	30-Jun-16	**31-Dec-16**	30-Jun-16
Segment Assets	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Oil and gas assets	**97,140**	101,950	**81,757**	77,965	**199,921**	186,085	**-**	-	**378,818**	366,000	**-**	9,666	**-**	-	**-**	9,666	**378,818**	375,666
Exploration assets	**-**	-	**-**	-	**-**	-	**33,224**	32,995	**33,224**	32,995	**-**	-	**-**	-	**-**	-	**33,224**	32,995
Assets held for sale	**-**	-	**-**	-	**24,966**	24,083	**-**	-	**24,966**	24,083	**33,717**	-	**-**	-	**33,717**	-	**58,683**	24,083
Other assets	**12,964**	10,556	**21,196**	9,229	**2,434**	4,850	**-**	-	**36,594**	24,635	**-**	14,549	**-**	-	**-**	14,549	**36,594**	39,184
	110,104	112,506	**102,953**	87,194	**227,321**	215,018	**33,224**	32,995	**473,602**	447,713	**33,717**	24,215	**-**	-	**33,717**	24,215	**507,319**	471,928
Corporate and unallocated assets																	**250,287**	279,839
Total assets																	**757,606**	751,767

1. The divestment of AWE New Zealand Pty Ltd & AWE Taranaki Pty Ltd, which represented the entire New Zealand segment is anticipated to complete imminently and is disclosed as a discontinued operation in note 2.6. The post-tax gain on divestment will be recognised in the full year 30 June 2017 financial statements.

2. The divestment of the Sugarloaf Area of Mutual Interest, which represented the entire USA segment completed in March 2016 and is disclosed as a discontinued operation in note 2.6. The post-tax gain on divestment of $25.2 million (pre-tax $18.8 million) is disclosed on the face on the statement of comprehensive income.

	31 December 2016 $'000	31 December 2015 $'000

2.2. Revenue from ordinary activities

Revenue from continuing operations		
Sales revenue - oil and gas	**34,565**	53,613
Other revenue	**672**	991
	35,237	54,604
Revenue from discontinued operations (refer note 2.6)		
Sales revenue - oil and gas	**19,619**	68,470
Other revenue	**40**	41
	19,659	68,511
Total revenue from continuing and discontinued operations	**54,896**	123,115

For the half-year ended 31 December 2015 discontinued operations represent:

- The Sugarloaf area of Mutual Interest, the divestment of which completed in March 2016; and
- The Tui Area Oil Fields, for which a sale and purchase contract was executed in December 2016, and is anticipated to complete imminently.

For the half-year ended 31 December 2016 discontinued operations represent:

- The Tui Area Oil Fields, for which a sale and purchase contract was executed in December 2016, and is anticipated to complete imminently.

Further detail regarding discontinued operations is provided in the segment note 2.1 and the discontinued operations note 2.6.

2.3. Cost of sales

Continuing operations		
Production costs	**20,249**	27,318
Royalties	**122**	405
Amortisation	**16,382**	29,599
	36,753	57,322
Discontinued operations (refer note 2.6)		
Production costs	**14,639**	27,360
Royalties	**-**	9,701
Amortisation	**2,528**	33,440
Movement in oil inventory:		
Production costs	**(126)**	144
Amortisation	**1,474**	639
	18,515	71,284
Made up of:		
Production costs (net of movement in oil inventory)	**14,513**	27,504
Royalties	**-**	9,701
Amortisation (net of movement in oil inventory)	**4,002**	34,079
	18,515	71,284
Total cost of sales from continuing and discontinued operations	**55,268**	128,606

For the half-year ended 31 December 2015 discontinued operations represent:

- The Sugarloaf area of Mutual Interest, the divestment of which completed in March 2016; and
- The Tui Area Oil Fields, for which a sale and purchase contract was executed in December 2016, and is anticipated to complete imminently.

For the half-year ended 31 December 2016 discontinued operations represent:

- The Tui Area Oil Fields, for which a sale and purchase contract was executed in December 2016, and is anticipated to complete imminently.

Further detail regarding discontinued operations is provided in the segment note 2.1 and the discontinued operations note 2.6.

	31 December 2016 $'000	31 December 2015 $'000

2.4. Other income

Other income	**391**	36
	391	36

2.5. Other expenses

General and administrative expenses	**3,166**	856
Share-based payments	**589**	823
Restructure costs	**1,316**	6,319
Fair value adjustment on asset held for sale	**497**	-
	5,568	7,998

2.6. Discontinued operations

Results of discontinued operation		
Revenue	**19,659**	68,511
Expenses from operating activities	**(18,515)**	(71,284)
Operating profit / (loss)	**1,144**	(2,773)
Finance costs	**(30)**	(1,654)
Other income /(expenses)	**22**	(629)
Exploration and evaluation expenses	**-**	631
Impairment expense	**-**	(53,996)
Profit / (loss) before tax from discontinued operation	**1,136**	(58,421)
Income tax benefit / (expense)	**9,377**	(1,836)
Royalty related taxation expense	**(1,116)**	(2,392)
Profit / (loss) for the year from discontinued operation	**9,397**	(62,649)

Cash flows from / (used in) discontinued operation		
Cash flows from operations	**1,094**	37,561
Cash flows used in investing activities	**(5,021)**	(32,848)
Cash flows from / (used in) financing activities	**2,664**	(5,843)
Net cash outflow	**(1,263)**	(1,129)

Earnings per share	**Cents**	Cents
Basic, profit / (loss) for the year from discontinued operation	**1.78**	(11.88)
Diluted, profit / (loss) for the year from discontinued operation	**1.75**	(11.88)

For the 6 months ended 31 December 2016, the results of discontinued operations include only the results associated with Tui Area Oil Field. AWE has entered an agreement to sell all outstanding shares in AWE New Zealand Pty Limited and AWE Taranaki Limited, which together own 57.5% of the Tui Area Oil Fields. The sale agreement has an effective date of 30 November 2016 and is subject to purchase price adjustments at completion which is anticipated to be imminent. AWE will continue to book production and revenue associated with the project until completion.

For the 6 months ended 31 December 2015, discontinued operations include results associated with the Sugarloaf Area of Mutual interest, the divestment of which completed in March 2016 as well as the half-year results of the Tui Oil Field.

The Sugarloaf Area of Mutual Interest was not previously classified as held for sale or as a discontinued operation. The comparative income statement and consolidated statement of other comprehensive income have been restated to show the discontinued operation separately from continuing operations.

	31 December 2016 $'000	30 June 2016 $'000

3.1. Exploration assets

Exploration assets at cost	**33,224**	32,995

Opening balance	**32,995**	69,119
Impairment of exploration assets	**-**	(36,810)
Additions (net of amount recovered from joint operations)	**1,710**	18,752
Exploration costs incurred and expensed during the year	**(1,486)**	(18,228)
Foreign exchange translation difference	**5**	162
Closing balance	**33,224**	32,995

The movement from opening to closing balance to 31 December 2016 reflects the change for the 6 months ended 31 December 2016; the movement from opening to closing balance to 30 June reflects the change for the 12 months ended 30 June 2016.

Recoverability of exploration and evaluation assets
The recoverability of the carrying amounts of exploration and evaluation assets is dependent on the successful development and commercial exploitation or sale of the respective area of interest. The impairment of exploration assets reflects the extent to which the costs capitalised are not expected to be recovered through successful sale or development of the area of interest.

3.2. Oil and gas assets

Oil and gas assets at cost	**1,141,435**	1,119,373
Less amortisation and impairment	**(762,617)**	(743,707)
	378,818	375,666

Opening balance	**375,666**	882,857
Additions	**22,228**	115,505
Disposals	**-**	(278,619)
Transfer to asset held for sale	**(6,250)**	(20,198)
Increase in restoration and decommissioning provision	**-**	17,808
Foreign exchange translation difference	**6,084**	11,480
Amortisation	**(18,910)**	(98,183)
Impairment charge	**-**	(254,984)
Closing balance	**378,818**	375,666

The movement from opening to closing balance to 31 December 2016 reflects the change for the 6 months ended 31 December 2016; the movement from opening to closing balance to 30 June reflects the change for the 12 months ended 30 June 2016.

Recoverability of oil and gas assets
Individual oil and gas producing assets are considered as separate cash-generating units. Recoverable amounts are determined based on the higher of value in use or fair value less costs of disposal.

Impairment testing in connection with oil and gas assets is performed initially to assess the presence of impairment indicators. Where there are indicators of impairment these asset values are then tested for impairment. Each half-year the consolidated entity performs an internal review of asset values using cash flow projections. If the carrying amount of an asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to the income statement with a corresponding reduction in the carrying value of the asset.

The asset valuations are based on a proved and probable (2P) reserve production profile against various estimates and assumptions. The key assumptions used in the cash flow projections include the following:

(a) Oil and gas prices – forecast prices comprise the Brent 3 year forward curve (to 31 December 2019) and subsequently , an independent long term observable price forecast;

(b) Gas prices – contracted gas prices and observable long term price forecast for uncontracted gas;

(c) Exchange rates – a combination of current spot USD/AUD exchange rate prevailing at 31 December 2016 and long term observable forecasts; including broker estimates;

(d) Discount rates – the post-tax discount rate applied to cash flow projections is 10%.

There has been no impairments for the half-year ended 31 December 2016.

Disposals

Half-year ended 31 December 2016

During the half year ended 31 December 2016 there were no disposals, however as described in note 3.3, Held for sale assets and liabilities, during the half-year the Group entered a contract for the sale of all outstanding shares of AWE New Zealand Pty Ltd and AWE Taranaki Limited which together own 57.5% of the Tui Oil Fields. The sale has an effective date of 30 November 2016, but as at 31 December the sale transaction had not completed. The oil and gas assets associated with the Tui Oil Field have been transferred to held for sale assets.

Year ended 30 June 2016

During the year ended 30 June 2016, the Company disposed of the following interests:

- 10% ownership interest in in the Sugarloaf Area of Mutual Interest (representing oil and gas assets of $269.2 million); and
- 57.5% ownership interest in the Cliff Head oil project (representing oil and gas assets of $9.4million).

	31 December 2016 $'000	30 June 2016 $'000

3.3. Held for sale assets and liabilities

	31 December 2016 $'000	30 June 2016 $'000
Assets classified as held for sale		
Oil and gas assets	**26,448**	20,198
Fair value adjustment on held for sale assets	**(517)**	(2,114)
Cash and cash equivalents	**2,485**	166
Trade and other receivables	**1,310**	594
Inventory - oil (at cost)	**9,747**	-
Inventory - spares and consumables	**557**	655
Prepayments	**92**	-
Trade and other receivables non - current	**4,701**	4,584
Deferred tax assets	**13,860**	-
	58,683	24,083
Liabilities directly associated with assets classified as held for sale		
Restoration and decommissioning provision	**(71,088)**	-
Other liabilities directly associated with assets classified as held for sale	**(8,060)**	(3,810)
Derivative financial instruments	**(2,626)**	-
	(81,774)	(3,810)
Net (liabilities)/ asset held for sale	**(23,091)**	20,273

As at 30 June 2016, held for sale assets and liabilities refer to the 42.5% interest in the Bulu PSC, which includes the Lengo gas project to HyOil. The sale remains subject to approval from the Indonesian Government which is expected prior to 30 June 2017.

As at 31 December 2016, in addition to the Bulu PSC, the sale of which remains subject to approval from the Indonesian government, held for sales assets and liabilities also include those assets and liabilities associated with the Tui Area Oil Fields. AWE entered an agreement to sell entered a contract for the sale of all outstanding shares of AWE New Zealand Pty Ltd and AWE Taranaki Limited which together own 57.5% of the Tui Oil Fields to Tamarind Sdn Bhd, as at 31 December the sale remains subject to the approval from the New Zealand Government and Tui Joint venture. Completion is anticipated to occur imminently.

Section 4: Funding and risk management

4.1. Net finance costs

	31 December 2016 $'000	31 December 2015 $'000
Unwinding of discount – capital expenditure carry	**636**	2,420
Interest income	**99**	226
Total finance income	**735**	2,646
Other borrowing costs	**(2,412)**	(4,950)
Unwinding of discount – restoration provisions	**-**	(1,371)
Net foreign exchange loss	**(1,206)**	(451)
Total finance costs	**(3,618)**	(6,772)
Net finance costs	**(2,883)**	(4,126)

4.2. Interest bearing liabilities

	31 December 2016 $'000	30 June 2016 $'000
Bank loans - secured	**43,404**	14,813
	43,404	14,813
The consolidated entity has access to the following lines of credit:		
Bank loans - secured	**300,000**	400,000
Facilities utilised at balance date	**43,404**	14,813
Facilities not utilised at balance date	**256,596**	385,187

The Company has access to a $300 million secured multicurrency syndicated bank loan facility which is available for general corporate purposes and bears interest at the applicable base rate plus a margin. This facility expires in May 2019.

Unamortised loan establishment fees of $2.5 million associated with the facility are classified as an asset and have been included in current and non-current prepayments. These fees are amortised over the life of the facility.

4.3. Capital

Share capital		
528,156,857 (June 2016: 526,735,854) Ordinary shares, fully paid	**772,172**	772,172

4.4. Dividends

No dividends were paid or declared during half-year ended 31 December 2016 (Half year ended 31 December 2015: nil)

4.5. Financial risk management

The Group is involved in activities that expose it to a variety of financial risks including currency risk, fair value risk, interest rate risk and commodity pricing risk. In accordance with Board approved polices financial instruments may be used to hedge the exposure to fluctuations in exchange rates, interest rates and commodity prices.

The Board of Directors has overall responsibility for the establishment and oversight of the financial risk management framework of the consolidated entity. The Board has delegated to the Audit and Governance Committee the responsibility for developing and monitoring financial risk management policies across the Company. The Audit and Governance Committee's primary role is to advise and assist the Board of Directors in assessing the management of key financial risks of the Company. The financial risk management policies and systems are reviewed annually by the Audit and Governance Committee to reflect changes in market conditions and the entity's business activities.

Management of financial risks is carried out by a centralised treasury function which operates under Board approved policies. The Board approved Treasury and Risk Management Guidelines provide clear guidelines to management in respect of the management of financial risks of the Company and are designed to ensure that it adequately reflects the strategic risk management objectives of the Board.

Fair value measurement

The carrying values of financial assets and liabilities of the Group approximate their fair value.

The Group measures and recognises in the statement of financial position on a recurring basis certain assets and liabilities at fair value in accordance with AASB 13 Fair value measurement. The fair value must be estimated for recognition and measurement or for disclosure purposes in accordance with the following hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table presents the Groups assets and liabilities measured and recognised at fair value at 31 December 2016.

As at 31 December 2016	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Derivatives used for hedging	-		-	-
Liabilities				
Derivatives used for hedging [(1)]	-	2,626	-	2,626
As at 30 June 2016				
Assets				
Derivatives used for hedging	-	-	-	-
Liabilities				
Derivatives used for hedging	-	2,264	-	2,264

1. Included in liabilities held for sale, refer note 3.3.

Valuation techniques used to derive fair values

The Group has entered into derivative financial instruments (commodity forward contracts) with various financial institutions with investment grade credit ratings. Derivatives are valued using valuation techniques with market observable inputs. The most frequently applied valuation techniques include present value calculations. The models incorporate various inputs including the credit quality of counterparties and forward rate curves of the underlying commodity. All derivative contracts are fully cash collateralised, thereby mitigating both the counterparty and the groups non-performance risk.

As at 31 December 2016, the fair value of derivative assets positions is net of a credit value adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and other financial instruments recognised at fair value.

Section 5: Other

5.1. Contingent liabilities and contingent assets

There have been no material changes in contingent liabilities or contingent assets since the last annual reporting date.

5.2. Capital and other commitments

There have been no material changes to aggregate capital and other commitments since the last annual reporting date.

5.3. Subsequent events

There has not been in the period since 31 December 2016 and up to the date of this report any other item, transaction or event of a material and unusual nature likely in the opinion of the Directors, to affect substantially the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years.

5.4. Accounting polices

The accounting policies adopted in the preparation of these interim consolidated financial statements are consistent with those applied in the preparation of the Group's annual financial statements for the year ended 30 June 2016. There have been no new or revised accounting standards issued with an effective date of 1 July 2016 applicable to the group.

Directors' declaration

In the opinion of the directors of AWE Limited (the Company):

1) The financial statements and accompanying notes of AWE Limited for the half-year ended 31 December 2016 are in accordance with the Corporations Act 2001, including:

   a. giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

   b. complying with Australian Accounting Standards and the Corporations Regulations 2001.

2) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a Resolution of the Directors.

Bruce Phillips **Chairman**	**David Biggs** **CEO and Managing Director**

Dated at Sydney this 28th day of February 2017.

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To the members of AWE Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of AWE Limited, which comprises the statement of financial position as at 31 December 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of AWE Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of AWE Limited is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

Trent van Veen
Partner
Sydney
28 February 2017