ASX Announcement
28 February 2017

AWE's HY17 results: solid start to the year and a strong vision for the future

AWE Limited (ASX: AWE) today announced its half year results for financial year 2017 (HY17).

The company reported a statutory net loss after tax of $12.5m, a 95% improvement over the HY16 result. After adjusting for non-recurring items, AWE's underlying net loss after tax for HY17 was $11.5m.

Production assets performed as expected, with net production totaling 1.52 mmboe for the half year which was in line with guidance. The production ratio, including contributions from discontinued operations, was 69:31 gas to liquids.

Sales revenue of $54.2m for the half was adversely impacted by a crude oil lifting at Tui being delayed until early January 2017. Approximately 64% of revenues, including contributions from discontinued operations, were derived from gas assets.

CEO and Managing Director, Mr David Biggs, said that AWE was off to a good start in FY17, with assets performing as expected, and executing its growth strategy.

"Now that we've concluded our divestment program with the sale of Tui, AWE is well positioned to deliver on its significant growth potential. The balance sheet is stronger, future funding commitments and liabilities have been substantially reduced, and the company has been streamlined and refocused to aggressively pursue the development of our high value growth assets," Biggs said.

Maximise production and revenue growth from existing assets
"Our near term focus is on maximising production and revenue growth from new and established gas assets that supply domestic markets, thereby removing substantial volatility from our revenue base and eliminating the need for hedging. The final stage of the BassGas MLE project, installation of compression, is expected to come on line in Q4 of FY17 and deliver improved rates of production and increased revenue. We also anticipate strong pricing improvement in both east and west coast gas markets over the next few years that aligns with our planned gas contracting strategies for Casino, BassGas and Waitsia.

Deliver high value development projects
"We have set ourselves an ambitious goal: to more than double production by FY21, and we will do this by transitioning to new, high-value growth assets. Chief among these is our excellent position in Western Australia's onshore Perth Basin, which includes the Waitsia Gas Project where AWE is the Operator. Stage 1A came online during the half and well performance has been excellent. Development of Stage 2 is making rapid progress and we are finalising preparations to drill the final two appraisal wells in the second half of FY17 prior to reviewing our booked reserves," he said.

"Stage 2 will be capable of producing 100 TJ/d for at least 10 years. Interest in Waitsia gas has been extremely positive and we are negotiating gas sales arrangements with potential customers. Pre-FEED work is well under way, and we are on track to commence FEED in the June quarter.

"We are also looking at other options embedded in our Perth Basin assets to further increase production," Biggs said.

"The AAL oil project is also making good progress. Technical evaluation of the FPSO and WHP tenders is complete and the Operator is preparing recommendations for Stage 2 commercial tenders. Data from the G Sand appraisal well is being used to update project economics, optimise field development and assess the feasibility of co-mingled production of K Sand and G Sand oil.

"AWE is working with the respective Operators of the Casino and BassGas projects to evaluate the future development options that could significantly extend the life of each project," Biggs said.

Target production and reserves growth through selective acquisition

"The third leg of our growth strategy is to actively target production growth through acquisitions. We see a clear opportunity to add additional production capacity between now and when our major projects come on line. Potential acquisitions are likely to be early to mid-life producing assets that are value accretive and located within our current sphere of operations," he said.

"AWE's growth strategy aims to deliver significant shareholder value over the mid-long term. This is an exciting time for the company and I am looking forward to the challenges ahead," Biggs concluded.

SUMMARY OF RESULTS FOR HY17

- **Total production** of 1.52 mmboe was down 47% as expected, primarily due to asset sales, and in line with guidance
- **Sales revenue** of $54.2m was down 56% primarily due to lower revenue base after asset sales and no crude oil lifting at Tui in Q2
- **Operating costs** reduced by 46% to $34.9m; G&A and other expenses reduced by 30% to $5.6m
- **Field EBITDAX** of $19.3m was down 66%, largely due to lower revenue base after asset sales
- **Statutory net loss after tax** of $12.5m represents a 95% improvement over the previous corresponding half year which included significant impairments
- **Underlying net loss after tax** of $11.5m represents an 82% improvement
- **Development expenditure** reduced by 65% to $24.4m and in line with guidance
- **Exploration expenditure** reduced by 90% to $1.7m and in line with guidance; exploration expense reduced by 92% to $1.5m
- **Net debt** was $20m, comprising cash of $23.4m and drawn debt of $43.4m
- **Divestment program concluded** – announced Tui sale expected to significantly reduce abandonment liabilities by approximately $70m
- **2P Reserves** of 69.6 mmboe and 2C Contingent Resources of 102.5 mmboe
- **Full year guidance tightened** to reflect the Half Year result and the pending sale of Tui asset

For a detailed review of AWE's operating and financial performance, investors should refer to AWE's Appendix 4D, Directors Report, Half Year Consolidated Financial Report and Investor Presentation released to the Australian Securities Exchange today.

Production and Financial Summary

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]	$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]	$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%

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.

Guidance
After taking into account the pending completion of the sale of the Tui asset, the Company has tightened production and revenue guidance for financial year 2017.

Key Indicator	Unit	FY17 Guidance
Oil and gas production (revised)	mmboe	2.7 to 2.8
Sales revenue (revised)	$m	100 to 110
Development expenditure (unchanged)	$m	50 to 60
Exploration expenditure (unchanged)	$m	5

Summary of Abbreviations

$m	million dollars
2C	Contingent Resources
2P	Proved and Probable Reserves
AAL	Ande Ande Lumut oil project
BOE	Barrels of Oil Equivalent
EBITDAX	Earnings Before Interest, Tax, Depreciation and Exploration expenses
FEED	Front End Engineering and Design
FID	Final Investment Decision
FPSO	Floating Production, Storage and Offloading vessel
FY	Financial Year
G&A	General and Administrative Expenses
HY	Half Year
MLE	Mid Life Enhancement project (BassGas)
mmboe	million barrels of oil equivalent
NPAT	Net Profit After Tax
Q2	Second Quarter (Financial Year)
TJ/d	Terrajoules per day
WHP	Well Head Platform

Except where otherwise noted, all references to “$” are to Australian dollars

Conversion Tables

Energy Value	Barrel of Oil Equivalents (BOE)
1,000 standard cubic feet of sales gas yields about: 1.055 gigajoules (GJ) of heat 1 petajoule (PJ) = 1,000,000 gigajoules (GJ) 1 gigajoule = 947,817 British Thermal Units (BTU)	**Oil** 1 barrel = 1 BOE **Condensate** 1 barrel = 1 BOE **LPG/NGLs** 1 tonne = 11.6 BOE **Sales Gas** 6PJ = 1 million BOE

Reserves and Resources
The Reserves and Contingent Resources in this announcement 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.

About AWE Limited
AWE Limited is an independent, 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, New Zealand, and Indonesia.

For more information please see our website www.awexplore.com or contact:

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