## **AWE Limited**

**ANNUAL GENERAL MEETING** 

24 November 2017



## Welcome

AWE Limited's 2017 AGM



## **Introduction to directors**



**BRUCE PHILLIPS, NON EXECUTIVE CHAIRMAN** 

**DAVID BIGGS, CEO & MANAGING DIRECTOR** 





## **Introduction to directors**



DAVID MCEVOY KENNETH WILLIAMS RAYMOND BETROS







## **Introduction to directors**



KAREN PENROSE

**ANDREW RIGG** 

**NEVILLE KELLY, COMPANY SECRETARY** 







## **Today's formal business**



#### **AGENDA**

- Notice of meeting
- Accounts and reports
  - Chairman's Address
  - CEO & Managing Director's report
  - Chairman Elect's Address
  - Questions
- Resolution 1 Remuneration report
- ☐ Resolution 2(A) re-election of Kenneth Williams as a director
- ☐ Resolution 2(B) election of Andrew Rigg as a director
- ☐ Resolution 3 Issue of Cash Share Rights
- Poll
- Closure



Bruce Phillips
Chairman's Address



















Bruce Phillips
Chairman's Address





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- · All dates refer to calendar year unless otherwise stated.

## **Agenda**

- FY17 in Review
- Strategy
- Capital Raise
- Major Projects
- Summary



## **FY17** in Review



## **Key achievements in FY17**



### **Base Business**

- Safety strong safety performance maintained
- Management refreshed management team and strategy
- Overheads reduced 36% reduction in overheads reflects ongoing cost discipline
- BassGas MLE compression project delivered. Nameplate capacity reached
- Casino Marketing of uncontracted gas post February 2018 has commenced

### **Development Projects**

- Waitsia Stage 1A delivered on time and under budget
- Waitsia Stage 2 -
  - Entered FEED with design competition
  - Gas marketing progressing
  - Increased 2P Reserves following drilling & evaluation of Waitsia-3
  - Further reserves upgrades anticipated in 4Q 2017 (from AWE's 30 June 2017 position)
- AAL development
  - Indonesian authorities want development to proceed quickly
  - Remains option on oil price improvement

### **Portfolio Management**

- Tui oil fields successfully divested late life asset in February 2017
- Lengo sale of Bulu PSC, approved by the Indonesian government post year end <sup>1</sup>
- Divestment program
  - Significantly reduced decommissioning liabilities by ~\$119m
  - Removed substantial forward capital commitments of >\$100m

<sup>1.</sup> Sale not yet completed, full purchase funds yet to be received

## **FY17 Guidance Scorecard**



### AWE'S OPERATING PERFORMANCE IN LINE WITH GUIDANCE

	FY17 Guidance	FY17 Actual
Production (MMboe)	2.7 - 2.8	2.75
Revenue (\$m)	100 - 110	105
Development Expenditure (\$m)	50 - 60	40
Exploration Expenditure (\$m)	5	3

### **Financial overview**



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### **RESULT IMPACTED BY ASSET SALES, AAL IMPAIRMENTS AND WRITE DOWNS**

\$m (unless otherwise indicated)	FY17	FY16	Change
Production (MMboe)	2.75	5.02	45%
Average realised liquids price <sup>1</sup> (A\$/bbl)	62.9	57.5	9%
Sales revenue <sup>1</sup>	103.6	202.4	49%
Operating costs	62.4	110.4	43%
Field EBITDAX	41.1	91.9	55%
Administration costs	6.8	10.6	36%
Impairments and write downs before tax	224.2	291.8	23%
Statutory net loss after tax	217.5	363.0	40%
Underlying net loss after tax	29.8	67.4	56%
Operating cash flow	19.9	70.3	72%
Capital expenditure	42.7	139.1	69%

1. Includes realised hedge gains

## **Health, Safety, Environment & Community**



#### HSEC ARE CRITICAL TO AWE MAINTAINING ITS POSITION AS A TRUSTED OPERATOR

### No Lost Time Injuries recorded in FY17

894 days injury free to 20 November 2017

### No significant environmental incidents in FY17

5th consecutive year of no significant environmental incidents

## Maintain focus on community and stakeholder relations activities

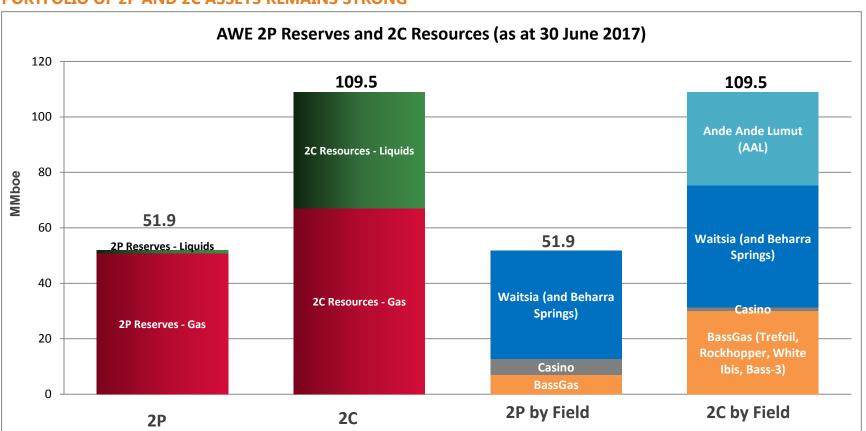
- AWE provided funding for initial CSIRO Perth Basin baseline study (groundwater, air quality) which was completed in 2017
- Over \$10m (unaudited) economic contribution to the Mid-West region of WA in FY17



### **Reserves and Resources**



### PORTFOLIO OF 2P AND 2C ASSETS REMAINS STRONG



## **FY18 YTD Highlights**



West Coast – Waitsia



- Outstanding flow test results from Waitsia-2, 3 & 4 (up to 90 MMscf/d)
- Independent review by RISC increases Waitsia 2P Reserves to 811PJ (gross); 78% higher than AWE's 2P Waitsia Reserves as at 30 June 2017
- Field can deliver 100TJ/d for at least 20 years or meet higher demand
- Facility tenders on track to be submitted by end of November 2017

East Coast –
BassGas &
Casino



- 23% improvement in Q1 FY18 BassGas production from compression start-up
- Strong customer interest for Casino Gas on improved pricing terms from March 2018
- Henry 3 well development studies underway

Indonesia – Ande Ande Lumut



- Strengthening oil price is positive for a future AAL development
- Government 10% participation notice to take effect in 2018
  - Combined K & G sand development improves project economics

## **Strategy**



## Focused on domestic and regional opportunities



#### PROGRESSING DOMESTIC GAS AND REGIONAL OIL ASSETS



## Working to unlock further value



1

Maximise production and revenue

- Waitsia Stage 1A
- BassGas compression √
- Recontract Casino gas production in FY18
- Recontract BassGas production in FY19

2

Deliver development projects

- Waitsia Stage 2
- Casino Stage 3
- BassGas Trefoil
- Ande Ande Lumut (AAL)

## **AWE's clear goals**



### AIMING TO DOUBLE RESERVES, PRODUCTION AND REVENUE BY FY21

FY21 goals were adjusted in August to reflect the delays to AAL

AWE has set the following clear goals:

- > To double reserves
- > To double production
- > To double revenue

Growth delivered from the current assets in the portfolio

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## **Capital Raise**





## Successful capital raise



### **SUCCESSFULLY RAISED ~A\$38 MILLION VIA INSTITUTIONAL PLACEMENT**

### Strengthen AWE's balance sheet

- Provide greater financial strength in negotiating commercial arrangements for Waitsia Stage 2 project construction, gas term sheets and gas sales agreements
- Strengthens AWE's financial position prior to renewal of its corporate debt facility and the financing of the Waitsia Stage 2 project

### Waitsia Stage 2 funding

- Provide sufficient equity to fund AWE's share of the Waitsia Stage 2 project if a Build Own Operate ("BOO") development model is selected, or
- Part fund AWE's share if an Engineering Procurement Construction ("EPC") development model is selected

### Other existing portfolio development and growth opportunities

 A range of corporate purposes including capital expenditure on other development projects including the next stage of the Casino-Henry gas project

### **Share Purchase Plan**



### AWE Share Purchase Plan

- Share Purchase Plan ("SPP") to provide eligible Australian and New Zealand shareholders with an opportunity to participate
- Eligible Australian and New Zealand shareholders can subscribe for shares up to the value of A\$15,000
- The SPP is not underwritten and capped at total proceeds of A\$10 million (subject to scale-back in the event of oversubscription)
- Price to be the lower of the Institutional Placement price (\$0.50) and the 5-day VWAP ending on the closing date of the SPP offer
- An SPP Offer Booklet containing further details of the SPP offer will be sent to eligible Australian and New Zealand shareholders

### Indicative Timetable

- Record Date for eligibility to participate in SPP: Tuesday, 14 November 2017
- Dispatch SPP Offer Documents: Friday, 24 November 2017
- SPP acceptance period: Friday, 24 November 2017 to Thursday, 14 December 2017
- Issue of SPP shares: Thursday, 21 December 2017 and quotation of SPP shares: Friday, 22 December 2017

## **Major Projects**



1

# **Onshore Perth Basin**

Waitsia Gas Project



## Waitsia: Update

## RISC independent review increases 2P Reserves to 811 PJ (gross)

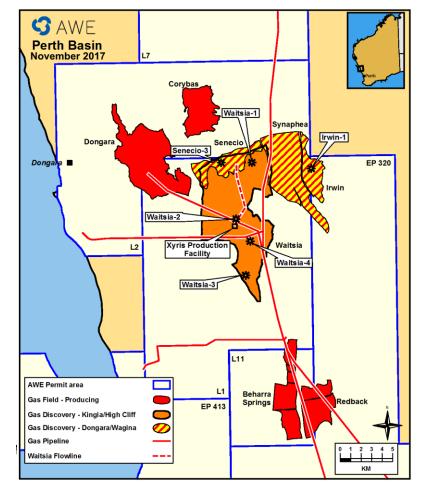
- Represents 78% increase on AWE's Waitsia 2P Reserves at 30 June 2017
- On this basis, one of the largest onshore gas fields discovered in Australia
- AWE expects to formally update its 2P Reserves post results of the current flow test program once subsequent analysis and evaluation work is completed
- RISC review increases confidence in the ability to enter into long-term gas contracts with potential gas buyers

### Increased activity in gas markets

 Waitsia participating in WA gas customer gas procurement processes for the period 2020 onwards

### Design competition and FEED remain on track

- BOO and EPC options are being assessed for development of facilities. EPC would require greater funding from AWE than BOO
- BOO and EPC tenders are expected by the end of November 2017, ahead of an evaluation and decision on the development approach



## **Independent reserves review at Waitsia**



#### RISC HAS ESTIMATED GROSS WAITSIA 2P RESERVES AT 811 PJ - A 78% INCREASE

RISC estimated Reserves and Contingent Resources for the Waitsia gas field					
Sales Product	Unit	1P	2P	3P	2C
Gross sales gas	PJ	518.7	811.2	1,219.6	89.9
Gross condensate	MMbbl	0.10	0.16	0.25	0.02
AWE Net sales gas	PJ	259.3	405.6	609.8	45.0
AWE Net condensate	MMbbl	0.05	0.08	0.12	0.01

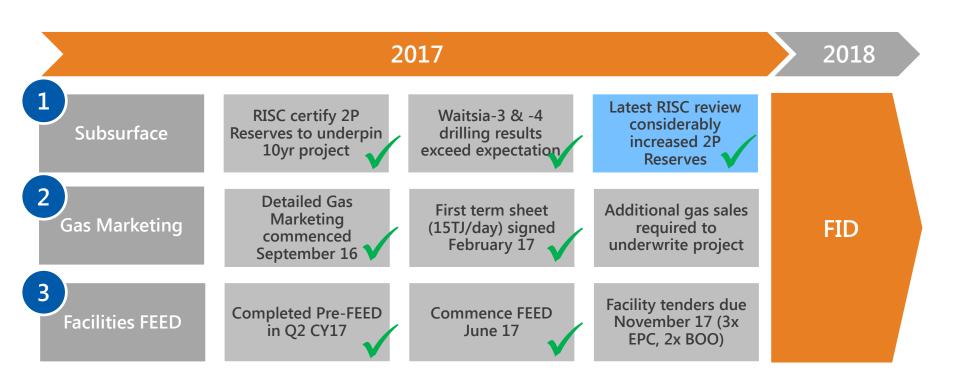
AWE booked Reserves and Contingent Resources for the Waitsia gas field as at 30 June 2017					
Sales Product	Unit	1P	2P	3P	2C
Gross sales gas	PJ	240.3	456.0	784.5	211.2
Gross condensate	MMbbl	0.10	0.16	0.28	0.08
AWE Net sales gas	PJ	120.2	228.0	392.25	105.6
AWE Net condensate	MMbbl	0.05	0.08	0.14	0.04

The independent assessment is closely aligned with AWE's internal estimates from work completed to date. AWE will finalise its view of Waitsia Reserves by year end after incorporating the most recent data from appraisal operations

## **Waitsia Stage 2 Scorecard**



#### MATERIAL PROGRESS ON KEY DEVELOPMENT WORK STREAMS



## **Greater Waitsia – exciting exploration potential**

FURTHER DEVELOPMENT POTENTIAL IN WAITSIA BEYOND STAGE 2



AWE has the largest exploration acreage position in the onshore Perth Basin

Potential to extend the field life or in time increase production from Stage 2

2 Kingia and HCSS horizons

AWE holds competitive advantage and sees significant exploration potential in held acreage surrounding Waitsia

Beharra Springs Deep

Potential Beharra Springs Deep well targeting significant Waitsia-like prospect adjacent to Beharra gas plant

## **East Coast Gas**

Casino and BassGas



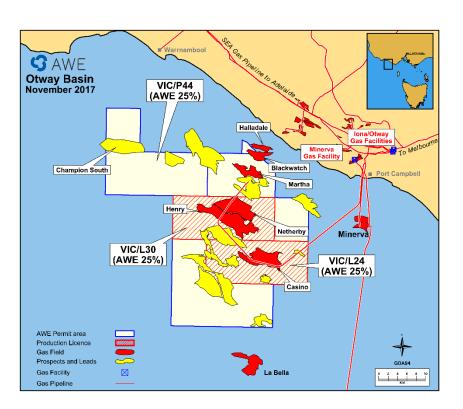
## **Casino: Update**



### CASINO WELL PLACED TO LEVERAGE UPSIDE IN EAST COAST GAS PRICES

# Casino gas marketing progress has been positive with the JV looking to recontract gas in Q1 2018

- Revenue step up from new gas contract pricing expected from March 2018
- Negotiations underway to secure gas processing post February 2018
- A workover of Casino-5 (currently shut-in) is planned for 1Q 2018
- Operator progressing studies for Stage 3 development case (Henry-3 well estimated 2019)
- Joint Venture reviewing options for possible future exploration program



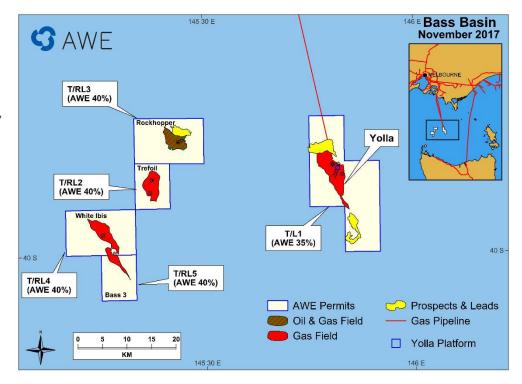
### **BassGass: Update**



### 23% IMPROVEMENT IN PRODUCTION IN LAST QUARTER FOLLOWING SUCCESSFUL MLE START UP

# Final stage of Mid Life Enhancement (MLE) project (compression hook-up) completed in June 2017

- Following a brief period of commissioning, production increased to nameplate capacity (~67 TJ/d)
- The Operator continues to optimise compressor operation and off-shore water handling
- Reserves revised 13% upwards (before FY17 production)
- Process to contract remaining Reserves to commence in 2H 2018; expected to realise substantially higher prices
- Revenue step up from new gas contract pricing expected in 1H 2019



## Indonesia

Ande Ande Lumut (AAL)



## **AAL: Update**



### STRENGTHENING OIL PRICE IS POSITIVE FOR A FUTURE AAL DEVELOPMENT

### Combined K and G sand creates additional value for development

- Improved oil quality in K and G sands increases forecast revenues from the project and reduces future capex requirements.
- Incorporating the G sand into the development may require an amendment to the approved Plan of Development
- Laboratory studies confirm ability to co-produce both sands and confirm better than expected reservoir quality in K Sand
- Reduced number of wells required for full field development

### Government exercised its AAL assignment right

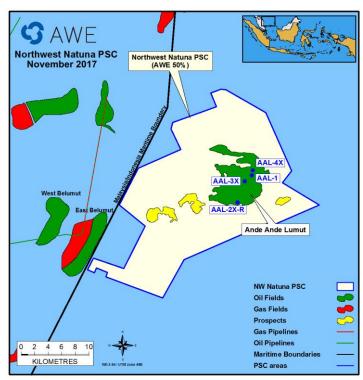
- In late October, the Indonesian Government advised that it will exercise its right to assign 10% of the Contractor's interest in AAL to a local entity in 2018 (5% AWE)
- Positive sign of Indonesian Government support for the project.
- AWE and Santos will each have a 45% interest but will be required to carry the local entity to first production, after which the partner is obliged to repay its share

### Uncertainty around the Operator remaining in the permit

- Santos regards the asset as non-core and may divest its interest
- The US\$88m carry by Santos in favour of AWE upon any investment decision remains in place

### **Indonesian Tax Office (ITO)**

· The ITO is auditing the company's 2012 acquisition of the AAL asset from Genting



# **Summary**



## **Summary**



### **GROWTH FROM WAITSIA, EXPOSURE TO STRONG EAST COAST GAS MARKETS, AN OPTION ON OIL PRICE**

- 1 Waitsia Stage 2 Project building momentum to FID
  - Reserves sufficient 2P Reserves in place for 10 year project (Stage 2) and beyond
  - Gas marketing progressing and first term sheet agreed
  - FEED underway determining delivery method and capex
  - AWE working to be in a position to consider a FID by the end of 2017
- 2 BassGas Compression project complete, enhanced production expected in FY18
- 3 Casino Looking to recontract gas in stronger pricing environment
- 4 AAL Remains an option to improved oil price





Kenneth Williams
Chairman Elect
Address

# **Accounts and Reports**

**QUESTIONS?** 



## **Remuneration Report**



**RESOLUTION 1, ADOPT REMUNERATION REPORT** 

Source: 49

## **Remuneration Report**



### **RESOLUTION 1, ADOPT REMUNERATION REPORT**

This resolution is an advisory resolution.

Proxies for	250,438,577	(98.1%)



**RESOLUTION 2(A)** 

That Mr Kenneth Williams be re-elected as a director of the Company



Source:



RESOLUTION 2(A), RE-ELECTION OF KENNETH WILLIAMS AS A DIRECTOR OF THE COMPANY

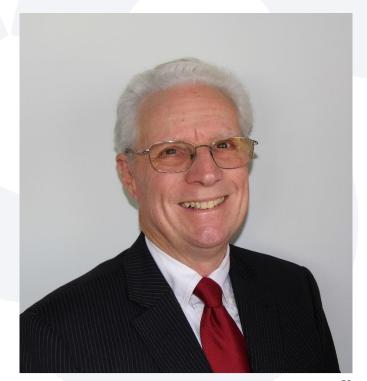
This resolution is an ordinary resolution.

Proxies for	252,678,949	(98.1%)	



**RESOLUTION 2(B)** 

That Mr Andrew Rigg be elected as a director of the Company



Source: 5



**RESOLUTION 2(B), ELECTION OF ANDREW RIGG AS A DIRECTOR OF THE COMPANY** 

This resolution is an ordinary resolution.

## **Issue of Cash Share Rights**



RESOLUTION 3, REGARDING THE ISSUE OF 1,258,992 CASH SHARE RIGHTS TO CEO & MANAGING DIRECTOR, DAVID BIGGS

To be tested against performance related vesting conditions at 30 June 2020.

This resolution involves the issue of 629,496 Absolute TSR cash share rights and 629,496 Relative TSR cash share rights

Source: 55

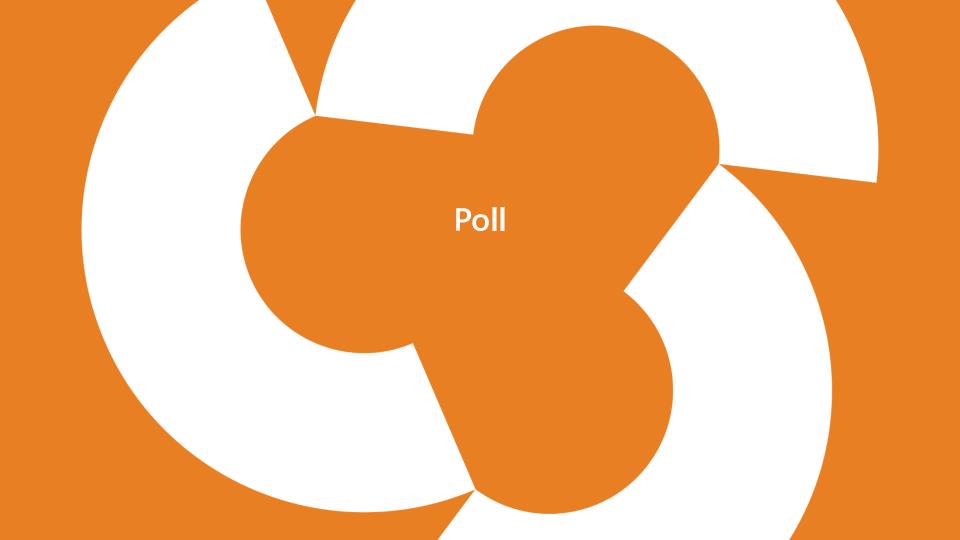
## **Issue of Cash Share Rights**



RESOLUTION 3, REGARDING THE ISSUE OF 1,258,992 CASH SHARE RIGHTS TO CEO & MANAGING DIRECTOR, DAVID BIGGS

This resolution is an ordinary resolution.

Proxies for	248,330,382	(97.4%)



Closure – AWE thanks you for your attendance

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## **Reserves and Contingent Resources**



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. Dr. Hunt, a Petroleum Engineer with a Ph.D. in Geomechanics, is a member of the Society of Petroleum Engineers and has 20 years' experience in the petroleum sector in geoscience, field development planning, reserves estimation, reservoir production and facilities engineering and has been involved in the resource sector more generally for 30 years. Dr Hunt has consented in writing to the inclusion of this information in the format and context in which it appears.

The estimation of 30 June 2017 Reserves and Resources have been prepared in accordance with the following:

- SPE/AAPG/WPC/SPEE Petroleum Resources Management System guidelines of November 2011;
- ASX Disclosure rules for Oil and Gas Entities, Chapter 5, July 2014;
- ASX Listing Rules Guidance Note 32, 2013.

All material changes in reserves and contingent resources are presented to the AWE Reserves Committee. The Committee meets as a minimum every six months, or when any material change occurs, to review and endorse reserves and contingent resource estimates. The endorsed reserves and contingent resources evaluations are reported to the AWE Audit and Governance Committee and form an integral part of the half year and annual financial reporting.

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.

## **Glossary of Abbreviations**



1H	First Half	ITO	Indonesian Tax Office
2H	Second Half	JV	Joint Venture
2P	Proved and Probable Reserves	LPG	Liquefied Petroleum Gas
2C	Contingent Resources	LTI	Lost Time Injuries
2P	Proved and Probable Reserves	m	metres
3P	Proved, Probable and Possible Reserves	MDRT	Measured Depth below Rotary Table
AAL	Ande Ande Lumut oil project	MLE	Mid Life Enhancement project
Bcf	Billion cubic feet	ММВОЕ	Million Barrels of Oil Equivalent
воо	Build Own Operate	Mmscf/d	Million Standard Cubic Feet of gas per day
Bbls	Barrels	P&L	Profit and Loss
Bopd	Barrels of oil per day	PJ	Petajoules
CY	Calendar Year	POD	Plan of Development
EBITDAX	Earnings before interest, tax, depreciation, amortisation and exploration expenses	PSC	Production Sharing Contract
EPC	Engineering, Procurement, Construction	RISC	Independent oil & gas advisory firm
FID	Final Investment Decision	Shares	Ordinary shares of AWE
FEED	Front End Engineering & Design	SPP	Share Purchase Plan
FY	Financial Year	ΙJ	Terajoules
HY	Half Year	VWAP	Volume Weighted Average Price

### **Conversion Tables**



#### Volume

1 cubic metre = 1 kilolitre = 35.3 cubic feet = 6.29 barrels 1 megalitre = 1,000 cubic metres

### **Energy Value**

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)

### Barrel of Oil Equivalents (BOE) Sales Gas: 6PJ = 1 MMBOE

LPG: 1 tonne = 11.6 BOE

Condensate: 1 barrel = 1 BOE

Oil: 1 barrel = 1 BOE

#### **Decimal Number Prefixes**

kilo = thousand = 103

mega = million = 106

giga = 1,000 million = 109

tera = million million = 1012

peta = 1,000 million million = 1015