ASX Announcement
21 February 2018

AWE's HY18 results: improved production and revenue from core assets

AWE Limited (ASX: AWE) today announced its half year results for financial year 2018 (HY18).

The company reported a statutory net loss after tax of $23.8 million for the period, impacted by non-recurring items of $18.5 million after tax. AWE's underlying net loss after tax for HY18 was $5.3 million, a 54% improvement on the $11.5 million underlying net loss after tax for HY17.

Production from continuing operations performed well, with net production totaling 1.3 MMboe for the half year, an increase of 5% over the previous corresponding period and within the FY18 guidance range. The production ratio continues to be weighted towards gas at 83%, with the remaining 17% comprising condensate and LPG.

Sales revenue from continuing operations increased by 19% to $41.0 million over HY17 ($34.6 million) leveraging an increase in production volumes and improved condensate and LPG pricing. Operating costs from continuing operations were down 6% to $19.2 million from HY17 ($20.4 million) mainly due to reductions achieved at BassGas. As a result, Field EBITDAX for continuing operations increased by 54% to $21.9 million over HY17 ($14.2 million).

AWE's net debt reduced to $32.3 million, a substantial improvement of 40% over 30 June 2017, with cash of $25.7 million and drawn debt of $58.0 million.

CEO and Managing Director, Mr David Biggs, said:
"AWE delivered a solid first half performance in FY18, punctuated by outstanding Waitsia appraisal well flow test results and a subsequent reserves upgrade. Our first half production and revenue were in line with FY18 guidance, which remains unchanged.

"We continued to maximise production and revenue growth from our existing gas assets during the half year. Production and revenue from BassGas increased substantially following completion of the MLE project, and higher oil prices further enhanced condensate revenue.

"The focus on extracting costs from the business was maintained, with operating costs down 6% and G&A expenses remaining steady. We also reduced the company's corporate debt facility limit from $300 million to $125 million, to align it with our near-term funding requirements, which will result in savings of approximately $1.6 million per year in fees.

"AWE continued to carefully manage its investment spend in order to pursue the development of our high value growth assets, particularly Waitsia. Capital expenditure, including AAL and Trefoil, and exploration expenditure for the half year were $17.9 million and $2.0 million respectively with both expected to be below full year guidance," he said.

Improved commodity prices
"Brent oil prices increased substantially during the latter part of 2017, which improved domestic condensate pricing and strengthened the outlook for the AAL oil project in Indonesia. Domestic east coast gas prices remained strong and the Casino JV signed a new Gas Sales Agreement with Origin Energy from March to December 2018 with 100% of Casino gas production to be processed under a new agreement at the Iona Gas Plant," Biggs said.

Waitsia delivers reserves growth
"Work on Waitsia Stage 2 made excellent progress during the period. We flow tested three appraisal wells and observed some of the highest flow rates recorded for onshore wells in Australia. Following evaluation of the flow test data and an independent review of the Waitsia field, AWE increased Waitsia 2P Reserves by 80% to 820 PJ[1] gross (net 410 PJ to AWE)," he said.

"Waitsia is now clearly a Tier 1 asset. FEED tender submissions have been received and evaluation of the technical and commercial packages is under way. Gas marketing continues, however the terms of the Mitsui Takeover Bid prohibit AWE from entering a gas contract at this time.

"The recent sale of our Waitsia JV partner, Lattice, to Beach Energy, combined with recent takeover proposals received by AWE, has effectively delayed a final investment decision for the project. However, AWE continues to target first gas from the project in 2020, subject to achieving project FID by June 2018" Biggs said.

Stronger balance sheet
"AWE further strengthened its balance sheet through an extremely well-supported capital raising in November 2017, ahead of the higher work program activity anticipated in 2018. Both the Institutional Placement and Share Purchase Plan were oversubscribed and scaled back, raising a total of $47.0 million (net of costs).

"The level of support from our shareholders was exceptional and reflects well on the company's growth strategy and prospects," Biggs concluded.

SUMMARY OF RESULTS FOR HY18

- **Total production** from continuing operations of 1.3 MMboe was up 5%, due to improved performance from BassGas
- **Sales revenue** from continuing operations of $41.0 million was up 19%, reflecting improved condensate sales and pricing and increased production
- **Operating costs** for continuing operations reduced by 6% to $19.2 million, largely due to reductions achieved at BassGas
- **Field EBITDAX** for continuing operations of $21.9 million increased 54%
- **Statutory net loss after tax** of $23.8 million impacted by significant non-recurring items accounting for $18.5 million after tax
- **Underlying net loss after tax** of $5.3 million represents a 54% improvement
- **Development expenditure** reduced by 3% to $14.9 million
- **Exploration and evaluation expenditure** reduced by 53% to $5.0 million
- **Net debt** was $32.3 million, comprising cash of $25.7 million and drawn debt of $58.0 million

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 (ASX) today.

[1] As at 1 December 2017, announced to the ASX on 19 December 2017 with no subsequent material change.

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 2017 as detailed in the half year financial report.

Production	6 months ended 31-Dec-17 MMboe	6 months ended 31-Dec-16 MMboe	Variance %
Continuing operations			
Gas	**1.06**	1.05	1%
LPG production	**0.12**	0.09	35%
Condensate production	**0.11**	0.09	23%
Oil	**-**	-	-
Total production from continuing operations	**1.29**	1.22	5%
Discontinued operations			
Oil	**-**	0.30	(100%)
Total production from discontinued operations	**-**	0.30	(100%)
Total production	**1.29**	1.53	(15%)

Financial performance - Continuing operations	6 months ended 31-Dec-17 $million	6 months ended 31-Dec-16 $million	Variance %
Sales revenue	**41.0**	34.6	19%
Production costs and royalties	**(19.2)**	(20.4)	6%
Field EBITDAX (1) & (2)	**21.9**	14.2	54%
Exploration and evaluation expense	**(2.1)**	(1.5)	(44%)
Amortisation	**(13.2)**	(16.4)	20%
Net financing expense	**(1.2)**	(2.9)	57%
Net other income / (expense)	**(13.4)**	(4.6)	(>100%)
Statutory net loss before tax	**(8.0)**	(11.1)	28%
Tax expense	**(15.8)**	(10.8)	(46%)
Statutory net loss after tax (NLAT)	**(23.8)**	(21.9)	(9%)

Financial performance - Discontinued operations	6 months ended 31-Dec-17 $million	6 months ended 31-Dec-16 $million	Variance %
Statutory net profit after tax (NPAT) from discontinued operations	-	9.4	(100%)
Statutory net loss after tax (NLAT) total	**(23.8)**	(12.5)	(90%)

Note: numbers may not add due to rounding.

The table below provides a reconciliation to the underlying net profit / (loss).

Reconciliation of underlying net profit / (loss)(2) for the 6 months ended 31 December 2017	Before tax $million	Taxation $million	After tax $million
Statutory net loss	**(8.0)**	**(15.8)**	**(23.8)**
Non-recurring items after tax:			
Restructuring costs	**2.7**	**(0.8)**	**1.9**
Other taxes and liabilities	**4.3**	-	**4.3**
Allowance for doubtful debt	**3.2**	-	**3.2**
Tax expense - Indonesia	-	**9.1**	**9.1**
Total non-recurring items	**10.2**	**8.3**	**18.5**
Underlying net profit / (loss)(2)	**2.2**	**(7.5)**	**(5.3)**

Note: numbers may not add due to rounding.

1. Sales revenue less production costs and royalties. Refer Note 2.1 for information by segment.
2. 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 audited accounts by removing the impact of non-recurring items from the reported (IFRS) audited profit. AWE believes the non-IFRS profit reflects a more meaningful measure of the Group's underlying performance.

Guidance

The company's Guidance for FY18 remains unchanged.

Key Indicator	Unit	FY18 Guidance	HY18 Actuals
Oil and gas production	MMboe	2.5 to 2.7	1.3
Sales revenue	$million	77 to 85	41.0
Development expenditure*	$million	40 to 45	17.9
Exploration expenditure	$million	7.0	2.0

* Includes AAL and Trefoil

Takeover proposals

Since late November 2017, AWE has received a number of unsolicited takeover or scheme proposals. In February 2018, the AWE Board unanimously recommended that shareholders **ACCEPT** an off market takeover offer from Mitsui & Co., Ltd. for $0.95 per share cash (the Mitsui Offer) in the absence of a superior proposal and subject to an independent expert concluding that the offer price is fair and reasonable. The Board also recommended that shareholders **REJECT** an off market takeover offer from CERCG Aus Gas Pty Ltd for $0.73 per share cash (the CERCG Offer). AWE's Target's Statements responding to the Mitsui Offer and the CERCG Offer will be released in due course.

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 headquartered in Sydney with an office in Perth. AWE has a portfolio of production, development and exploration assets in Australia, Indonesia and New Zealand.

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

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Summary of Abbreviations

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
FY	Financial Year
G&A	General and Administrative Expenses
GJ	Gigajoule
HY	Half Year
JV	Joint Venture
LPG	Liquified Petroleum Gas
MLE	Mid Life Enhancement project (BassGas)
MMboe	million barrels of oil equivalent
PJ	Petajoules

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