ASX Announcement
16 November 2016

AWE Limited Annual General Meeting – Chairman's Address

Please find attached the Chairman's Address which will be presented at the Annual General Meeting of AWE Limited which commences at 10.00am on 16 November 2016, in compliance with listing rule 3.13.3.

Regards

Neville Kelly
Company Secretary

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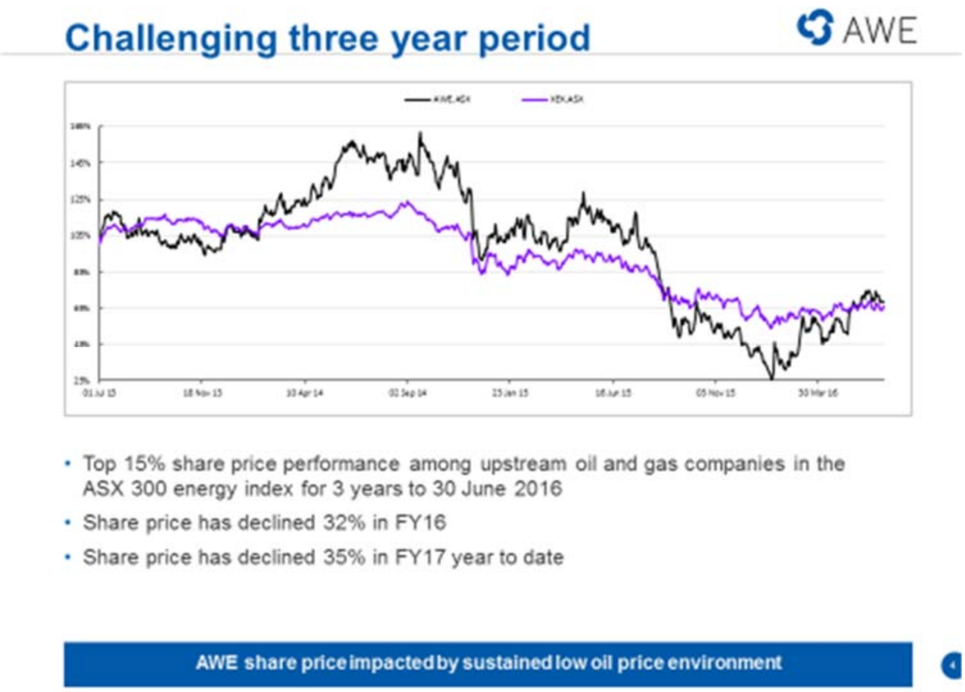
AWE 2016 Annual General Meeting

Chairman's Address

Good morning fellow shareholders

Introduction

It's now more than two years since the price of Brent oil began its plunge from US$115 per barrel in mid-June 2014, bottoming at US$29 per barrel in January 2016 before rallying back towards US$40-50 per barrel in today's environment. In that relatively short space of time, the structure of oil and gas markets has changed significantly with many companies, industries and governments coming under sustained economic pressure.

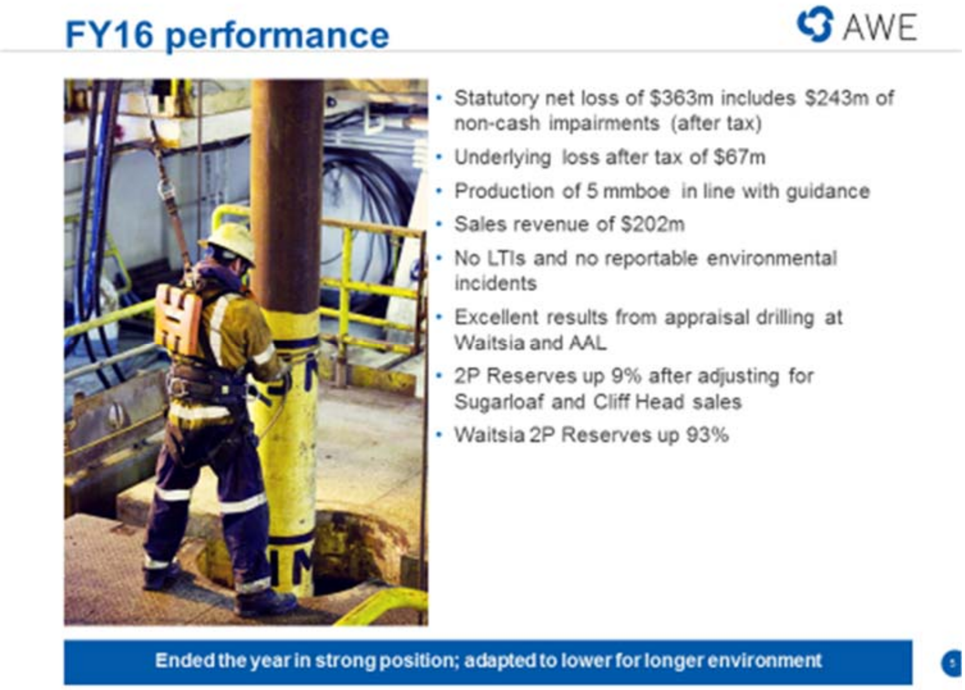


AWE has been no exception. Despite achieving the top 15% share price performance among upstream oil and gas companies in the ASX300 energy index for the 3-year period to June 30, 2016, our share price declined 32% in the last financial year, and a further 35% since June 30.

On a global scale, the world is coming to grips with a seismic shift in US politics and the UK's Brexit, but the global economic outlook is promising, albeit with heightened volatility. Low energy prices are stimulating economic growth in the USA. The Chinese economy is still growing steadily, and low energy prices are also clearly beginning to stimulate growth in other Asian economies, including India.

Australian growth remains steady, but growing energy demand, coupled with legislative restrictions on supply, is creating price increases, particularly for natural gas. AWE is well placed to benefit from this long term trend, as existing production from the BassGas and Otway projects is enhanced by new production from the Waitsia project in Western Australia.

FY16 Performance



Our CEO, Mr David Biggs, will provide you with a detailed review of the Company's FY16 financial and operating performance, but allow me to highlight certain aspects now:

- AWE reported a Statutory net loss after tax of $363 million, including $242.5 million of non-cash impairments (after tax) as assets were written-down due to the sharp decline in the oil price;
- After adjusting for non-recurring items, AWE's underlying net loss after tax was $67 million;
- Production remained steady and in line with market guidance at 5 mmboe, and we achieved sales revenue of $202 million;
- We achieved an outstanding safety and environmental performance with no LTIs and no reportable environmental incidents;
- Excellent results were achieved in appraisal drilling operations at the AAL and Waitsia projects; and
- After adjusting for the sale of the Sugarloaf and Cliff Head assets, corporate 2P reserves grew 9%, highlighted by an increase of 93% of 2P reserves for the Waitsia project; and

AWE finished the financial year with no debt, a strong reserves and resources position and two high quality development projects leaving us in a far better position than the current share price might suggest.

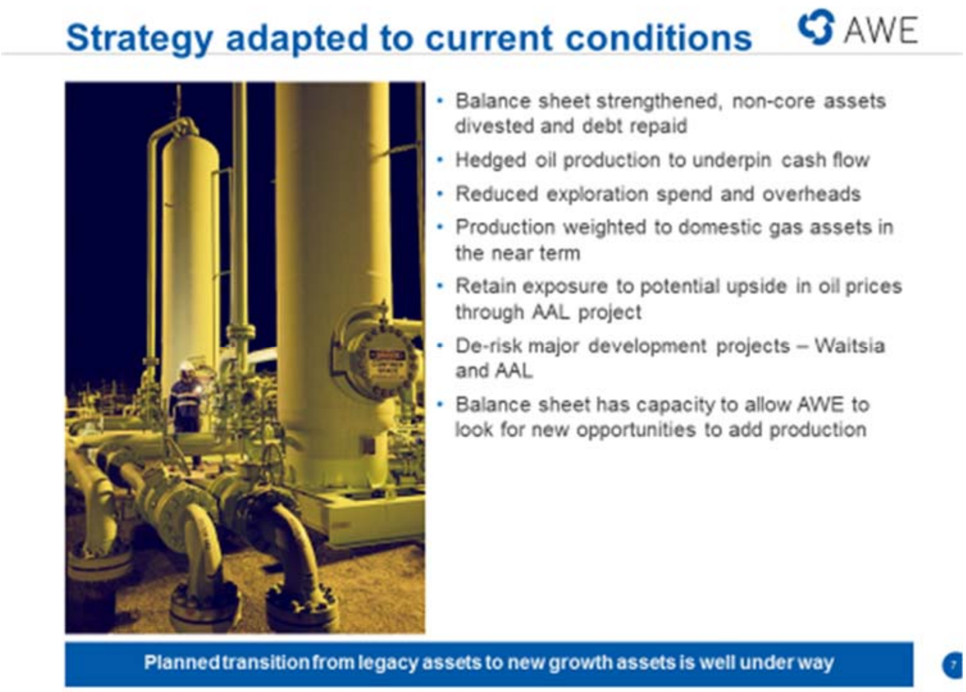
During the year we also reshaped AWE to operate in a "lower for longer" oil price environment. With a clear focus on capital discipline, cost reduction and asset consolidation.

The board made tough decisions designed to strengthen our overall financial position so that the company can continue to operate sustainably in a sub-US$50 per barrel market. AWE successfully:

- Reduced corporate overheads by 41%;
- Reduced total investment expenditure by 55%;
- Reduced our geographic footprint by exiting USA and China and significantly downscaling operations in Indonesia;
- Reduced recurring capex through the sale of Sugarloaf;
- Repaid debt with the proceeds of asset sales; and
- Locked in revenue and cash flow certainty by hedging oil production from Sugarloaf, Tui and Cliff Head. At year end, realised oil hedge gains totalled $11.8 million, underlining the value of this strategy in the current low oil price environment.

These measures made it possible for AWE to continue to deploy capital on our two high quality, long life growth opportunities: the AWE-operated Waitsia gas project in Western Australia's Perth Basin and the Ande Ande Lumut (AAL) oil project in Indonesia.

Strategy and Sustainability
AWE's strategy has evolved to adapt to a sustained low oil price environment. We've restructured and divested non-core assets to reduce future capex commitments and decommissioning liabilities. We hedged oil production and reduced exploration spend and overheads to underpin cash flow. Significantly, we have focused our production in the near term on natural gas which offers stable, long term contracts as well as leverage to anticipated rises in contract prices on both the east and west coast of Australia.



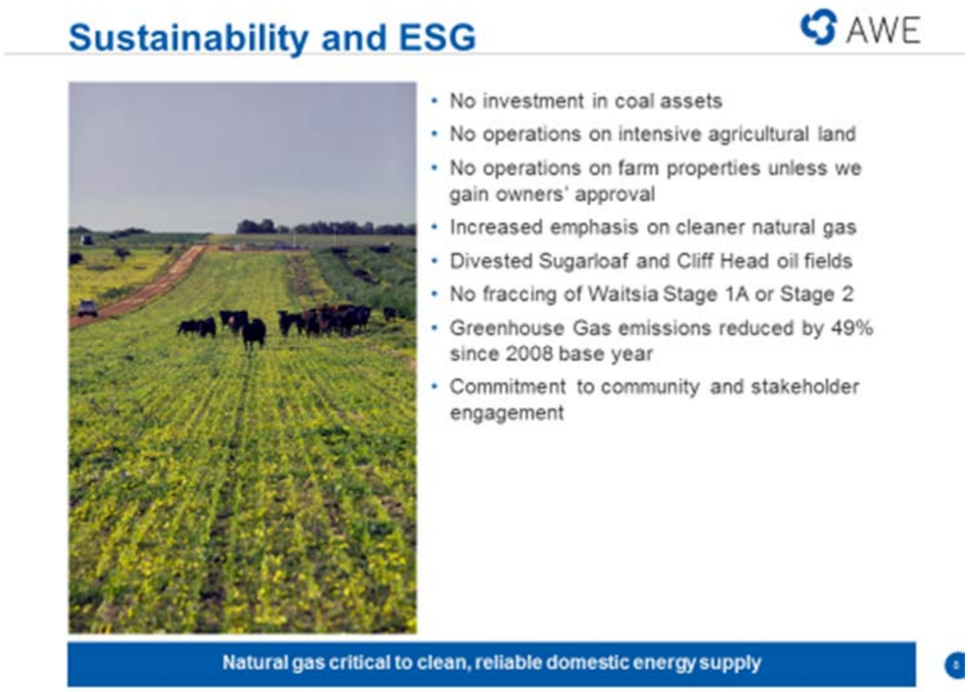
Although weighted to natural gas in the near term, we retain exposure to any upside in oil prices through the AAL project in Indonesia. We will continue our work to de-risk both our major development projects over the coming year, which should positively impact our valuations and share price.

We have strengthened our balance sheet, which has the flexibility and capacity to allow us to look for new opportunities to add to our production base. Rest assured, AWE will take a detailed and thorough approach to ensure that any potential new acquisition is value-accretive.

Together, these strategic initiatives will ensure AWE makes the planned transition from ageing legacy assets to new growth assets in a stable and controlled way.

AWE has always viewed Sustainability, including transparent ESG principles, as a core component in our strategic decision-making process. They are fundamental to operating a successful energy business.

Our approach to sustainability is inexorably linked to our key stakeholders and our sustainability framework reflects this by adopting industry best practice.



AWE has long been a leader in the industry for integrating sustainability and ESG into its decision-making process. Actions taken to cement that position include undertakings:

- Not to invest in coal assets;
- Not to conduct any operations on intensive agricultural land;
- Not to conduct operations on farm properties unless we gain owners' approval;
- To increase our emphasis on cleaner gas assets. Gas and LPG accounted for 62% of production, 62% of 2P Reserves and 82% of 2C Contingent Resources at 30 June 2016;
- Divesting the Sugarloaf and Cliff Head oil fields. The Tui oil field is also being marketed for sale;
- Not to frac production wells for both Stage 1a and Stage 2 of the Waitsia gas project development, despite scientific evidence it is safe to do so;
- To decrease our absolute greenhouse gas emissions. AWE has now achieved a 49% reduction since our 2008 base year; and
- Above all else, to ensure that when we ultimately leave a community, we leave it in better shape than when we arrived.

AWE's safety and environmental performance are particularly important to the local communities where we operate. During the year, we continued to enhance our engagement with stakeholders including landowners, residents and indigenous communities. Our economic contribution to local communities in the Mid-West region of Western Australia and the New Plymouth region of New Zealand was again significant.

Corporately, our environmental performance was outstanding, with no reportable environmental incidents for the fourth consecutive year. Our safety performance during FY16 was also excellent, with no Lost Time Injuries (LTI) being recorded. This result reflects our strong safety culture and our commitment to placing the safety of all employees, contractors and visitors on operating sites above all else. We will continue to focus our efforts on safety in the coming year.

People and Remuneration
In line with the Company's succession planning strategy, in May 2016 we welcomed David Biggs as our new Managing Director and CEO, replacing the highly regarded Bruce Clement who stepped down from the role after almost six years at the helm.

This was followed in July 2016 with the appointment of Ian Bucknell as our Chief Financial Officer. David and Ian bring extensive energy-industry experience to the AWE management team, particularly in the areas of gas marketing and project financing and delivery.

Their appointments are already helping AWE deliver important milestones for our key growth projects in Waitsia and AAL, as well as pursuing enhanced future revenue through recontracting east and west coast gas production at significantly higher prices.

In response to the tough external economic environment that continued during 2015-16, the Board also made important changes to the company's remuneration structures, including:

- Significant organisation restructuring, resulting in a reduction of employee numbers by approximately 30%;
- Decreasing the size of the board;
- No short-term incentives awarded in FY16;
- Discontinued retention plans for senior executives;
- No increase in Directors' fees or senior executives' salaries in FY16 and FY17;
- Reduced fixed remuneration for the CEO and CFO positions in FY17; and
- No salary increases for other employment positions for FY17.

While none of these decisions were easy, the hardest by far was to reduce the number of employees, particularly in Sydney, New Plymouth and Jakarta. AWE is not a large company and many of the people impacted had been a part of the organisation for many years and were fellow shareholders. I would like to take this opportunity to thank them all for their hard work and their significant contribution to AWE.

Election of Directors
With respect to the board, two of your directors, David McEvoy and Karen Penrose, are retiring by rotation and seeking re-election today.

David is highly respected in the oil and gas industry, has substantial domestic and international geosciences and commercial experience, and provides an invaluable contribution to the board.

Karen brings extensive finance and corporate sector experience to AWE. Her prior executive career includes 20 years with Commonwealth Bank and HSBC.

Both directors will speak to shareholders about their candidacy later in the meeting and the board strongly recommends their re-election.

Also, as part of AWE’s long term board and management succession plans, I wish to inform shareholders that it is my intention not to seek re-election at the 2017 AGM. The succession planning process has commenced to enable a smooth transition over the next 12 months. In the meantime, I am delighted to announce that Mr Ken Williams has taken the role of Deputy Chairman.

Share Price Performance
Recent poor share price performance has led to some understandable concern among our shareholder base, including myself.

Apart from the obvious impact of low oil prices, other factors unique to AWE have had an impact.

As shareholders would be aware, in May 2016, AWE received an unsolicited indicative, conditional and non-binding proposal from a private equity entity to acquire the shares in the company for a cash consideration of $0.80 per share.

After taking legal and financial advice, the AWE Board rejected the proposal, concluding that it was opportunistic and did not reflect the fair underlying asset value of the company. The rejection was subsequently supported unanimously by our largest shareholders. The Company’s share price also traded above the indicative price for an extended period.

In the six months since the proposal was rejected, circumstances have obviously changed. On the negative side, oil prices are retreating again, and the Operator of the BassGas project decreased the remaining reserves of the Yolla field based on their view of the performance of production wells.

However, on the positive side:

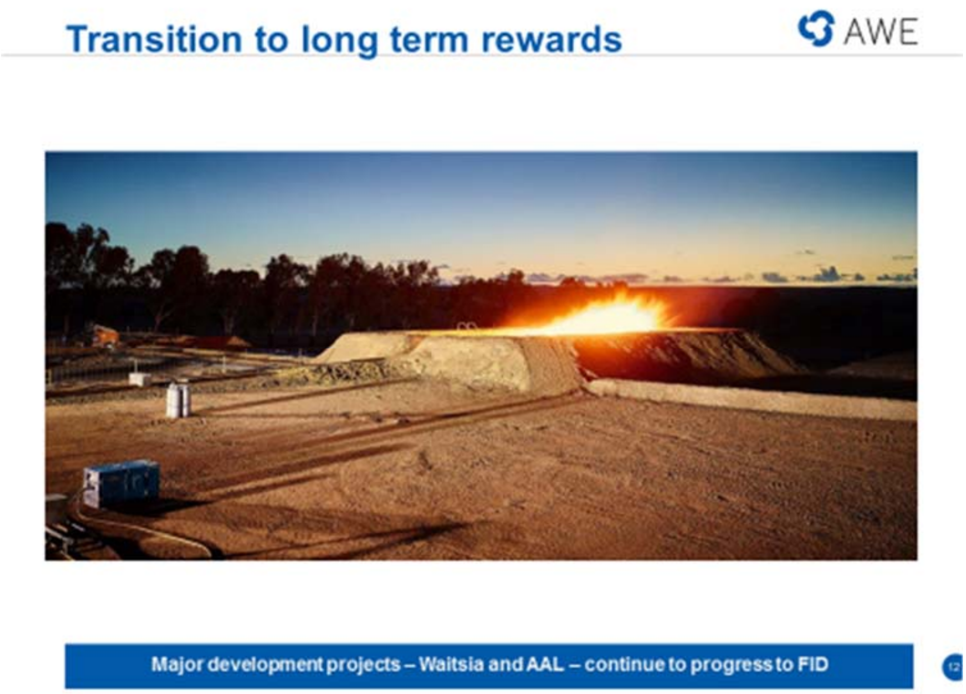
- The Yolla production wells are performing better than the Operator predicted and the level of reserves are currently being evaluated;
- The BassGas Operator has also commenced feasibility work for the development of the Trefoil gas and condensate field;
- An independent reserves certifier has increased the Waitsia net 2P reserves (above those carried by AWE) by 34%;
- AWE has received strong interest from customers wanting to buy its Waitsia gas production at prices significantly higher than prevailing prices; and
- Analyses of results from the AAL appraisal well will significantly enhance project economics.

Since late August, it is clear to us that AWE's shares have been oversold, and the current market price does not reflect the true value of the Company. Despite rejecting the earlier approach by private equity, AWE, like any other company, will always consider approaches on their merits and with the best interest of all shareholders in mind.

Transition to sustainable and long term rewards

Despite the harsh reality of current oil prices, the outlook for AWE remains positive. External research by numerous analysts continues to suggest AWE is significantly undervalued.

It is true that like many of its contemporaries in the oil and gas industry, AWE is in a period of transition characterised currently by reduced production, revenue and investment. However, your board governs the Company for the medium to long term shareholders and not short-term traders. AWE has worked hard to redeploy capital to progress its high quality, long life assets. These projects are positioned to enter development, and upon delivery will improve the AWE share price and deliver significant shareholder value over time.



The exciting Waitsia gas project continues to deliver on its potential to be the biggest onshore conventional gas field discovery in Australia in over 30 years. The development of Waitsia and its associated fields is a clear priority for AWE, and I'm pleased to report that the project achieved first gas sales from Stage 1A on time in August 2016 and under budget.

While the ultimate profitability of the AAL oil project in Indonesia remains tied to the oil price, ongoing cost reduction and positive results from the recent AAL-4XST1 appraisal well should improve the overall project economics ahead of a planned Final Investment Decision in the second half of calendar year 2017.

Conclusion

The outlook for AWE remains positive and your Board is optimistic about the years ahead. We are focused on creating long-term shareholder value and we will continue to be innovative in areas where we can use our strengths to add real value.

We have a strong and diverse reserves and resources position and monetising these is a high priority. AWE is in the fortunate position of not needing to spend high risk capital on exploration over the next few years to grow the company significantly. We will continue to work diligently to deliver this value to our shareholders.

Finally, I would like to extend my personal thanks to my board colleagues, our dedicated employees, and to our patient shareholders for your support and contribution to our company during another very difficult year.

AWE is now a leaner, more efficient and focused organisation, better equipped to deal with the challenges ahead. With our experienced management team, staff and contractors, and under the stewardship of the Board, I am confident AWE can deliver on its attractive growth potential.

Thankyou

Bruce Phillips
Chairman