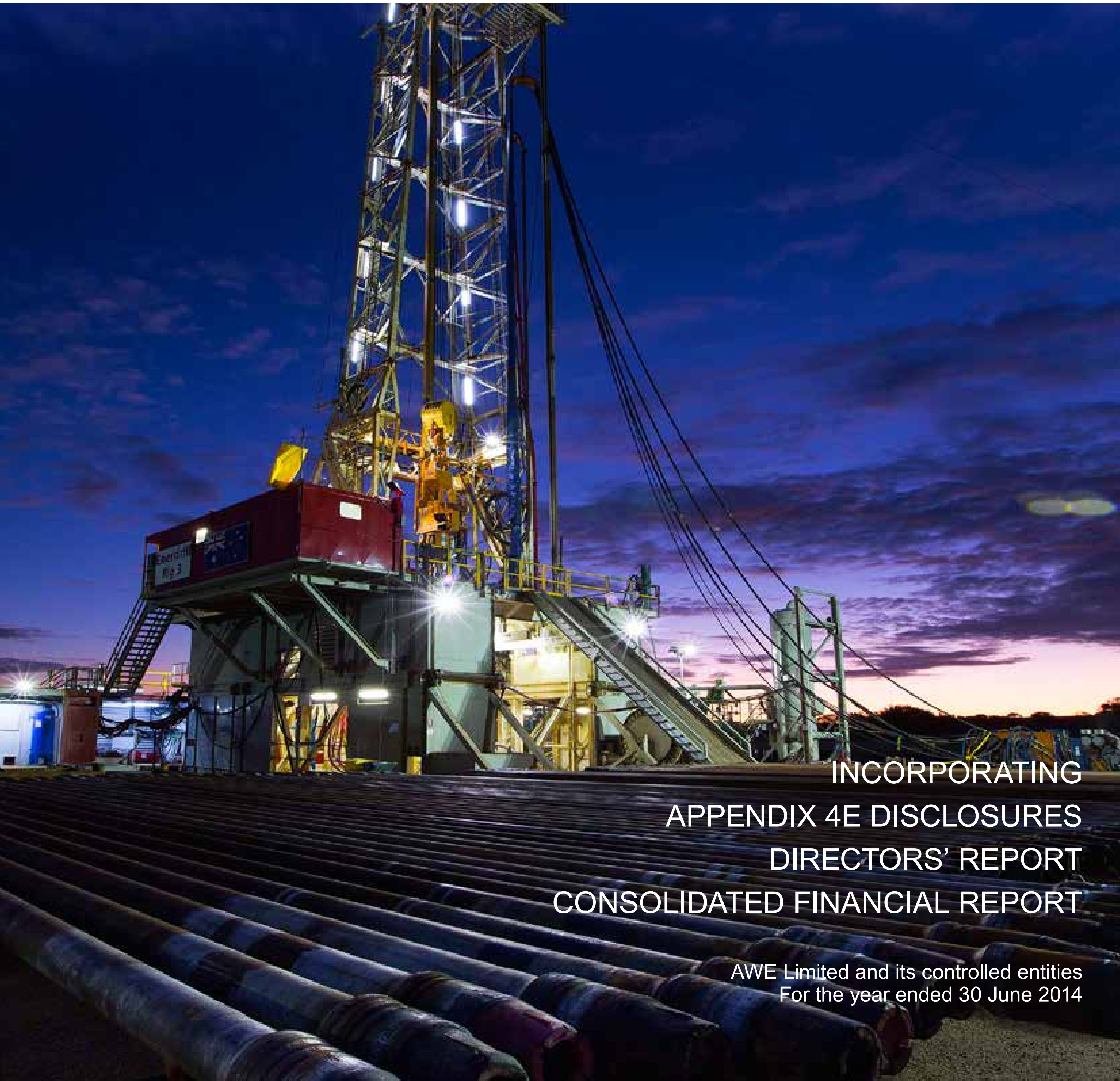
YEAR END REPORT
TO 30 JUNE 2014

AWE



INCORPORATING
APPENDIX 4E DISCLOSURES
DIRECTORS' REPORT
CONSOLIDATED FINANCIAL REPORT

AWE Limited and its controlled entities
For the year ended 30 June 2014

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Appendix 4E

AWE Limited
ABN 70 077 897 440

Results for announcement to the market

Financial year ended 'Current period' 30 June 2014	Financial year ended 'Previous corresponding period' 30 June 2013

				A$'000
Revenue from ordinary activities	**up**	**9%**	**to**	**329,291**
Profit from ordinary activities after tax attributable to members	**up**	**>100%**	**to**	**62,500**
Net profit for the period attributable to members	**up**	**>100%**	**to**	**62,500**

Interim dividends	**Amount per security**	**Franked amount per security**
Current period – interim dividend	NIL	NIL
Previous corresponding period – special divided	NIL	NIL
Record date for determining entitlements to the dividend	N/A	

A review of the consolidated entity's operations during the year ended 30 June 2014 and the results of those operations are included in the AWE Limited 30 June 2014 directors' report set out on pages 4 to 16.

NTA backing	**Current period**	**Previous corresponding period**
Net tangible asset backing per ordinary security	**1.55**	**1.44**

Change in ownership of controlled entities	There was no gain or loss of control of entities during the year ended on 30 June 2014 or up to the date of this report.

Details of dividends	There were no dividends paid or declared during the year ended 30 June 2014 or up to the date of this report.

Dividend reinvestment plans	There are no dividend reinvestment plans in place.

Directors' report

The directors present their report together with the consolidated financial report of the entity being AWE Limited ("AWE" or "the Company"), and its controlled entities, for the year ended 30 June 2014 and the auditor's report thereon.

The directors of the Company during the year are set out on page 12 of the Directors' Report.

Operating and financial review

The directors of AWE Limited present the Operating and Financial Review of the consolidated entity, prepared in accordance with section 299A of the Corporations Act 2001 (Cth), for the year ended 30 June 2014. The information provided in this review forms part of the Directors' Report and provides information to assist readers assess the operations, financial position and business strategies of AWE.

The principal activities of AWE continue to be the exploration for, development and production of hydrocarbons.

1. Performance overview

The Company delivered a strong operating performance, achieving a Net Profit After Tax of $62.5 million, with production and sales revenue from its portfolio of assets meeting or exceeding AWE's market guidance. Substantial progress was made on key development, exploration and appraisal projects and AWE has continued its track record of improved HSE performance throughout the year with no lost time injuries, and no reportable incidents. During the year AWE maintained its focus on community and stakeholder engagement and the Company has continued to openly engage with landowners, local communities, regulators and governments in areas where we operate.

The following tables provide an overview of the production and financial performance of AWE as detailed in the subsequent Financial Report.

	30 June 2014 mmboe [1]	30 June 2013 mmboe	Variance %
Production			
Gas	***3.22***	*2.88*	*12%*
LPG production	***0.49***	*0.25*	*95%*
Condensate production	***0.76***	*0.54*	*41%*
Oil	***1.14***	*1.30*	*(13%)*
Total production	***5.61***	***4.97***	***13%***

Financial performance	$million	$million	%
Sales revenue	***328.2***	*300.5*	*9%*
Production costs and royalties	***(119.4)***	*(115.8)*	*3%*
Field EBITDAX[2]	***208.8***	*184.7*	*13%*
Exploration and evaluation expense	***(39.8)***	*(9.7)*	*>100%*
Amortisation	***(117.6)***	*(105.0)*	*12%*
Net financing expense	***(10.1)***	*(9.4)*	*7%*
Fair value adjustment assets held for sale	***(12.4)***	-	-
Other income / (expense)	***67.5***	*(9.2)*	*>100%*
Statutory Net Profit before Tax	***96.4***	***51.4***	*88%*
Tax expense	***(33.9)***	*(31.4)*	*8%*
Statutory Net Profit after Tax (NPAT)	***62.5***	***20.0***	*>100%*

The underlying NPAT was $7.0 million. To assist readers reconcile the underlying NPAT, the following table provides a reconciliation of NPAT and the impact after adjusting for non-recurring items.

Reconciliation of Underlying NPAT	$million
Statutory NPAT	***62.5***
Less non-recurring items (after tax):	
Gain on sale of 50% interest in Northwest Natuna PSC	*(75.5)*
Restructuring costs in relation to Jakarta office	*3.5*
BassGas fair value adjustment on assets held for sale	*8.3*
Perth Basin restoration costs	*2.5*
Anambas PSC relinquishment	*1.0*
Capitalised borrowing costs written off	*1.1*
Other project and restructuring costs	*3.6*
Total non-recurring items (after tax)	***(55.5)***
Underlying NPAT[3]	***7.0***

1 mmboe refers to million barrels of oil equivalent

2. Sales revenue less production costs and royalties. Refer note 10 for information by segment.

3. 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 consolidated entity's underlying performance.

1.1 Financial performance

The consolidated entity reported a net profit after tax of $62.5 million for the year (2013: $20.0 million).

Total oil and gas production of 5.6 million BOE was 13% higher than the previous financial year and reflects a significant increase in gas and condensate production at Sugarloaf and strong production for the year from BassGas.

AWE recorded sales revenue for 2014 of $328 million from 5.4 MMBOE of sales volume, 9% higher than the previous year (2013: $300 million) At year end, the company held inventory of over 0.2 MMBOE at Tui, equivalent to an additional $23 million of revenue deferred to the 2014/15 financial year. The average realised oil and condensate price for the period was 6% higher at A$109 per barrel, compared to A$103 per barrel in the previous year.

Operating costs were marginally higher at $119.4 million for the year (2013: $115.8 million) reflecting higher production volumes and increased royalties. However on a cost per BOE (sold) basis, operating costs were lower than the prior year at $22.08, compared to $22.99 in 2013.

Field EBITDAX of $208.7 million was 13% higher than the previous year (2013: $184.7 million) and reflects the strong performance of the core producing assets across the portfolio. Net cash from operating activities was higher than prior year at $123.7 million (2013: $118.2 million).

In accordance with AWE’s successful efforts accounting policy, $39.8 million of exploration and evaluation costs were expensed in 2014, compared to $9.7 million in 2013. Exploration and evaluation costs expensed during the year include $11.5 million incurred in respect of the Oi exploration well in New Zealand and $11.8 million for the acquisition of the La Bella marine 3D seismic survey in the Otway Basin.

The taxation expense for the year was $33.9 million (2013: $31.4 million). Taxation expense includes the tax effect of Petroleum Resources Rent Tax (PRRT) in Australia and the New Zealand Accounting Profits Royalty (APR).

After adjusting for non-recurring items after tax of $55.5 million, an underlying profit of $7.0 million was derived for the period, compared to an underlying profit of $17.1 million in 2013.

1.2 Summary of financial position

The Company maintained a sound balance sheet position with a net cash holding of $42.4 million and no drawn debt at the end of the period. This compares to a net debt balance of $37 million at 30 June 2013 and reflects the Company's disciplined approach to capital management and the proactive management of its asset portfolio. The financial position of the Company was further strengthened during the year with the execution of a new four-year, $300 million unsecured syndicated bank loan facility. With strong operating cashflows and an undrawn facility at period end, the Company is well positioned to fund its future development and growth initiatives.

2. Production and development

	30 June 2014					30 June 2013
	South East Australia	Western Australia	New Zealand	USA	Total	Total
Production (mmboe)						
Gas	2.62	0.37		0.23	**3.22**	**2.88**
LPG production	0.30			0.19	**0.49**	**0.25**
Condensate production	0.32			0.44	**0.76**	**0.54**
Oil		0.45	0.68		**1.14**	**1.30**
Total Production	**3.24**	**0.82**	**0.68**	**0.86**	**5.61**	**4.97**

	30 June 2014						30 June 2013
	South East Australia	Western Australia	New Zealand	USA	Indonesia	Total	Total
Development Expenditure ($m)	**14.8**	**0.3**	**76.5**	**38.8**	**13.4**	**143.8**	**142.6**

2.1 South East Australia

BassGass Project *(offshore Bass Basin, AWE 46.25%)*
The BassGas project achieved gross gas production of 17.5 PJ, 673,000 barrels of condensate and 56,000 tonnes of LPG. AWE's share of production was 8 PJ of gas, 311,000 barrels of condensate and 26,000 tonnes of LPG. This represented an increase of 69% with the project in production for the full year, compared to the previous financial year where the Yolla Field was shut-in for approximately 3 months.

The BassGas Mid Life Enhancement (MLE) project achieved a number of milestones during the period including reaching a Final Investment Decision (FID) for the development drilling and the subsequent contracting of a rig to undertake the two well drilling program which is planned for the 2014/15 Australian summer. The joint venture is also considering bringing forward the remaining phases of the project by completing the lifts for the gas compression and condensate pumping modules prior to the commencement of the drilling program. The schedule for these activities is dependent on the timing of the mobilisation of the contracted rig, finalisation of the heavy lift vessel charter and FID. The drilling program is targeting increasing production by 50% compared to 2014 financial year production.

On 28 January 2014, the Company also announced the sale of 11.25% interest in BassGas (TL1) and a 9.75% interest in the Trefoil exploration asset (T18P) to Prize Petroleum for a total cash consideration of $85 million. The sale is expected to complete in the first quarter of the 2014/15 financial year and an after tax loss on sale of $8.3 million is recognised in NPAT in connection with the sale. Following completion of the sale, the Company's interest in BassGas will decrease from 46.25% to 35%.

Casino Gas Project *(offshore Otway Basin, AWE 25%)*
The Casino gas project, including the Casino, Henry and Netherby gas fields, achieved gross production of 30.5 PJ of gas and 20,000 barrels of condensate. AWE's share of production for the year was 7.6 PJ of gas and 5,000 barrels of condensate. This represented a 9% decrease compared to the previous year. The Henry-2 well was shut-in for part of the period, returning to production in April 2014.

The Casino joint venture has defined a range of concept designs for the next phase of development for the project and the selection of a development concept, including potential drilling opportunities and facility modifications, is expected in early 2015.

2.2 Western Australia

Cliff Head Oil Project *(offshore Perth Basin, AWE 57.5%)*
The Cliff Head oil project contributed gross production of 0.79 million barrels of oil. AWE's net share of production was approximately 0.45 million barrels for the year, a reduction of 22% due to natural field decline and the shut-in of the CH-13 well for the replacement of its electric submersible pump (ESP). The well came back into production in June 2014.

Onshore Perth Basin *(AWE 33.0% to 100%)*
The Onshore Perth Basin operations contributed 0.4 million BOE to AWE's gas and oil production for the year, with AWE's share totalling 2.2 PJ of natural gas, with approximately 4,000 barrels of condensate.

AWE operates the Dongara and Corybas gas fields in the region. AWE also has equity in the Beharra Springs/Redback gas fields, which were shut-in for approximately two months during the period and then operated at reduced production for a further four months due to flowline repairs, returning to full production in the fourth quarter of the financial year.

The Hovea and Jingemia facilities remained shut-in following suspension of oil production from the two fields during the previous financial year. The Hovea and Jingemia fields are expected to remain in care and maintenance while the prospectivity of the area and potential future commercial production from the fields is evaluated.

2.3 New Zealand

Tui Oil Project *(offshore Taranaki Basin, AWE 57.5%)*
The Tui oil project recorded gross oil production of 1.28 million barrels (AWE share 0.68 million barrels), down 3% on the previous corresponding period. The purchase of an additional 15% interest from Mitsui for USD6.4 million during the period increased AWE's share of production and partly offset the impact of planned maintenance, the shutdown for the Floating Production Storage and Offloading (FPSO) vessel generator upgrade, and natural field decline.

Drilling of the Pateke-4H development well was completed during the period. The well will be tied-back to the Tui FPSO for production, and this work is expected to commence in the third quarter of the 2014/15 financial year.

2.4 United States of America

Sugarloaf AMI *(onshore Texas, AWE share 10%, net ~7.5% after landowner royalties)*
Production continued to accelerate at the Sugarloaf AMI shale gas project during the year. AWE's share increased 31% over the previous year to approximately 443,000 barrels of condensate, 1.4 PJ of gas and 16,000 tonnes of LPG, net of landowner royalties.

A total of 38 wells were brought into production during the year, bringing the total number of wells on-line at the end of the period to 128, with a further 33 wells being drilled and/or completed. Drilling was commenced on a total of 55 wells during the financial year, with 30 of these during the final quarter.

An independent reserves review was completed by DeGolyer and MacNaughton during the period resulting in an 82% increase in Sugarloaf's Reserves and Resources, with the Company reporting an additional 7.7 million BOE of net 2P Reserves and an additional 13.2 million BOE of net 2C Contingent Resources.

Construction of the new West Karnes Central Facility, with capacity to handle 20,000 bopd and 80 MMcf gas/day, was completed during the period, and brought on line in the first quarter of the 2015 financial year.

2.5 Indonesia

Ande Ande Lumut Oil Project *(Northwest Natuna PSC, offshore Indonesia, AWE 50%)*
A significant milestone was achieved during the period with the completion of the sale of a 50% interest in the Northwest Natuna PSC that contains the Ande Ande Lumut (AAL) oil field to Santos Limited for USD188 million, resulting in an after tax profit of $75.5 million. The sale included the transfer of Operatorship which took effect in December 2013.

Good progress continues to be made on the AAL project with Front End Engineering and Design ("FEED") on the wellhead platform nearing completion at the end of the period. The Operator has lodged a revised tender plan for the FPSO with the Indonesian regulator and once approved, the tender process is expected to commence in the first quarter of the 2014/15 financial year.

In addition to the development of the primary K-sand reservoir, the joint venture is considering appraisal drilling of the deeper G-sand during the calendar year 2015 to evaluate its development potential. If successful, the G-sand could add significant reserves to the project and substantial value for shareholders.

The FID for the project is expected mid-2015 calendar year, following completion of the FPSO tender process, with first oil expected in late 2017 calendar year.

3. Exploration operations

	30 June 2014						30 June 2013
	South East Australia	Western Australia	New Zealand	Indonesia	Other	Total	Total
Exploration Expenditure ($m)	**13.1**	**7.5**	**11.6**	**6.3**	**5.8**	**44.3**	**34.4**

3.1 South East Australia

Bass Basin

The Company continues to assess the feasibility of the Trefoil, White Ibis and Rockhopper fields located in the T/18P permit (AWE 49.75%). A review of the exploration opportunities identified in the Chappell 3D area in T/18P was nearing completion at the end of the period.

During the period the Company executed a sale and purchase agreement to acquire an additional 5% of T/18P from Drillsearch at nominal cost, increasing AWE's interest from 44.75% to 49.75%. AWE's share of T/18P will reduce to 40% once the sale of a 9.75% interest to Prize Petroleum is complete.

Otway Basin

In exploration permit VIC/P67 (AWE 60%), a 3D marine seismic survey covering an area of approximately 928km^2 which includes the La Bella gas field was completed and interpretation of the data was in progress at the end of the period which will provide the basis for the Company's decision to proceed to the drilling phase.

In exploration permit VIC/P44 (AWE 25%), reprocessed 3D seismic data was being evaluated to assess the remaining prospectivity in the permit and the Operator was evaluating potential drilling opportunities at the end of the period.

In retention lease VIC/RL12 (AWE 25%), the Operator is evaluating development options for the Blackwatch gas field. The field is covered by State and Federal exploration permits and a co-ordinated approach will be required between regulators and relevant joint venture parties to optimise recovery from the permit.

3.2 Western Australia

Onshore Perth Basin

The Company's unconventional gas activities accelerated significantly during the period with the commencement of a three well drilling program in the onshore Perth Basin.

In exploration permit EP455 (AWE 81.5%, Operator), drilling commenced on the Drover-1 well in the fourth quarter of the period with the well reaching target depth in July 2014. The well intersected the Kockatea Shale, Carynginia Shale, Irwin River Coal Measures and the High Cliff Sandstone. Significant gas readings were observed and cores taken will be fully analysed and evaluated before a decision is made to proceed to the next phase of activity.

In licence area L1/L2 (AWE 50%, Operator), drilling of the Senecio-3 vertical appraisal/development well commenced subsequent to year end and is expected to be completed in the first quarter of the 2014/15 financial year. The well will target the western side of the unconventional gas reservoir, and if successful, the Company expects to commence the approval process for the first phase of field development which would likely involve drilling a horizontal, multi-stage hydraulically fracture stimulated well.

In exploration permit EP320 (AWE 33%, Origin Operator), an exploration well in the Irwin prospect is planned to be drilled in the first half of the 2014/15 financial year. The Irwin prospect straddles EP320 and licence area L1 (AWE 50%, AWE Operator) and is expected to be operated by AWE.

In exploration permit EP413 (AWE 44.25%), the Operator is preparing for a 3D seismic acquisition program to commence in the first half of financial year 2014/15. The data will be used as the basis for selecting the location of the proposed Arrowsmith-3 horizontal well.

During the period, an independent technical assessment of exploration permits EP413, EP455, L4 and L5 was undertaken by Deloitte LLP's Calgary-based Resource Evaluation and Advisory practice (REA) resulting in the release of a gross unconventional prospective resource estimate of 11.1 Trillion Cubic Feet (TCF) of gas and 31 million barrels of Natural Gas Liquids (NGLs) across the four most southern exploration permits in the onshore Perth Basin.

North Carnarvon Basin

In April 2014, AWE was awarded a new permit, WA-497P (AWE 100%, Operator), in the Australian 2013 Offshore Petroleum Exploration Acreage Release. The primary term includes a mandatory work program consisting of seismic reprocessing, seismic inversion and geological and geophysical studies. AWE has commenced broadband reprocessing of approximately 1,200km^2 of 3D seismic and 280km^2 of 2D seismic survey data.

3.3 New Zealand

Taranaki Basin

In Permit PMP38158 (AWE 57.5%, Operator), the Oi-1/2 exploration well commenced drilling in June 2014 and reached its target depth after the end of the period. The well intersected the primary target Kapuni F10 sands. No significant oil shows were encountered and well data indicated the reservoir is water bearing. Subsequent to year end, the well was plugged and abandoned. AWE participated in the drilling of the Oi -1/2 exploration well at reduced equity of 31.25%. The cost of the drilling incurred to 30 June 2014 was $11.5 million and is recognised in exploration expense. An estimated $5.3 million is expected to be incurred in the 2014/15 financial year.

In onshore permit PEP 55768 (AWE 51% and Operator), the reprocessing of existing 2D and 3D seismic survey data commenced during the period.

3.4 Indonesia

East Java Basin

In the Bulu PSC (AWE 42.5%), the Operator completed a Plan of Development (POD) for the Lengo gas field following gas commercialisation studies and has submitted a draft POD to the regulator.

In the East Muriah PSC (AWE 50%) processing of the fast track component of the 2D seismic survey data commenced during the period.

Acquisition of a 2D seismic survey in the North Madura PSC (AWE 50%, Operator) and the Terembu PSC (AWE 100%, Operator) is planned for the first quarter of the 2014/15 financial year.

The relinquishment of the Titan PSC (AWE 40%, Operator) commenced during the period.

Natuna Sea

In the Anambas PSC (AWE 100%, Operator), following the review of development feasibility studies, a decision was made to relinquish the PSC on the expiry of the 10 year exploration period in June 2014.

Sumatra

The Joint Study of the Jembar-Rimba area, located in the Central Sumatra Basin, was completed and approved by the regulator. In the next phase, the block will be offered by the regulator in a future unconventional oil and gas bid round, where AWE would retain the right to match any offer submitted for the block.

3.5 Yemen

During the period, the Company entered into an agreement with Petsec Energy (Yemen) to sell its interest in Block 7. The agreement was awaiting government approvals at the end of the period.

4. Drilling activity

The wells drilled during the year are summarised as follows:

Well name	Location	AWE Share	Comments
Pateke – 4H	Taranaki Basin	57.5%	Well successfully completed and suspended pending tie-in to production facilities
Oi – 1/2	Taranaki Basin	31.25%	Plugged and abandoned
Drover-1	Onshore Perth Basin	81.5%	Well successfully completed and suspended subsequent to year end
55 wells in Sugarloaf AMI	Eagle Ford Shale	10.0%*	128 wells in production at year end; 33 wells being drilled and/or completed

* Net working interest of 10%; net interest approximately 7.5% after land-owner royalties

5. Business strategy & opportunities

5.1 Business strategy

AWE's goal is to be a leading energy company in Australia by building a sustainable business that delivers superior returns to shareholders.

The Company has implemented a strategy that is focused on pursuing opportunities in oil, high value gas, and unconventionals in a geographic area comprising Australia, New Zealand, Asia and the USA.

AWE has compiled a diverse and valuable portfolio of exploration, appraisal, development and production assets across multiple geographic regions. The Company has a suite of established and valuable producing assets that deliver stable operating cashflows and which underpins the ability of the Company to reinvest in key development projects to drive growth. Combined with a strong balance sheet and a disciplined financial approach, the Company is well positioned to fund new and existing opportunities to deliver superior returns to shareholders.

The Company's operational and financial targets to the end of calendar year 2018 are to:

- Double annual production from the 2013 financial year of 5 MMBOE to 10 MMBOE; and
- Triple EBITDAX from the 2013 financial year to over $500 million.

The Company aims to deliver this goal through the following activities:

- Optimising performance from the base business;
- Commercialisation and exploitation of existing opportunities within the portfolio;
- Identifying and pursuing new acquisitions that can deliver superior returns on investment; and
- Leveraging the technical and commercial skills and experience of the AWE team, particularly in early stages of exploration and development projects.

AWE is committed to these goals while preserving our commitment of zero harm to our people, minimising our impact on the environment, supporting the communities in which we operate and building a motivated and engaged team.

5.2 Opportunities

To maintain sustainable returns to shareholders, AWE will pursue growth initiatives from its extensive portfolio of exploration and development assets as well as new opportunities where it can add or create value.

Key projects and opportunities being pursued during the 2014/15 financial year include:

- The AAL oil field development in Indonesia, where it is planned to progress the project through several important milestones including completion of the FEED work for the well head platform, the tender for the FPSO and subsequently FID in mid-2015.

- The BassGas MLE project is expected to complete drilling of the two planned development wells in the Australian summer of 2014/15 with the potential to accelerate the implementation of the lift of the gas compression and condensate pumping modules.

- In the onshore Perth Basin, the three well unconventional drilling program, comprising Drover-1, Senecio-3 and the Irwin prospect, is expected to be completed during the 2014/15 financial year, providing valuable data for the analysis and evaluation of potential hydrocarbon commercialisation options in the various permit areas.

- In New Zealand, the tie in of the Pateke-4H development well is planned for the second half of the 2014/15 financial year.

- In the United States, the accelerated drilling program in the Sugarloaf AMI is expected to continue to increase production and has the potential to further upgrade 2P Reserves in the Eagle Ford Shale and development of 2C Contingent Resources in the Austin Chalk.

- In Indonesia, the approval of a Plan of Development for the Lengo gas field in the Bulu PSC is expected to be achieved during the 2014/15 financial year.

AWE will continue to progress the review of a range of other exploration and new business opportunities in conventional and unconventional oil and gas and new energy assets, with a particular focus on appraisal and pre-development assets where AWE possesses the core skills to add significant value.

5.3 Material business risks

The following material business risks have been identified as key issues that have the potential to impact the Company's performance:

- Commodity price risk, which directly impacts AWE through the realised price received from the sale of hydrocarbons – gas, crude oil, condensate and LPG, with the exception of Australian gas sales which are made under long-term contracts where the price is denominated in Australian dollars.

- Reserves and production risks, where future performance of individual assets may not meet current estimates and forecasts.

- Execution of development and operating projects, including meeting schedule and budget, which could be subject to changes in future industry and economic conditions.

- Sovereign risk relating to the expected fiscal, tax and regulatory environment in jurisdictions that AWE does business.

- Health, Safety and Environmental risks which are recognised by AWE as being of critical importance in ensuring AWE continues to build and operate a sustainable business and which remain a key priority for the Company.

- Maintaining the Company's social licence to operate by proactively engaging with the communities, regulators and other key stakeholders, particularly in relation to onshore oil and gas exploration, development and production activities.

Directors' qualifications and experience

Name	Experience
Bruce J. Phillips **BSc (Hons) Geol** Independent Non-executive Director and Chairman Member of the People Committee	Bruce Phillips is a petroleum explorationist who has more than 30 years of technical, financial and managerial experience in the upstream energy sector of the oil and gas industry. He has broad domestic and international exploration and production experience throughout Australia, South East Asia, Africa and South America. Bruce is an active member of PESA and the Australian Society of Exploration Geophysicists. Bruce is currently a non-executive director of AGL Energy Limited and non-executive Chairman of Platinum Capital Limited. He was formerly a non-executive director of Sunshine Gas Limited. Bruce was founder and Managing Director of AWE. He retired as Managing Director on 31 August 2007 and was appointed as a non-executive director on 19 November 2009 and non-executive Chairman on 18 November 2010.
Bruce F.W. Clement **B Eng (Hons), BSc (Mathematics), MBA** Managing Director	Bruce Clement is an Engineer with over 30 years extensive experience in Australian and international oil and gas businesses in senior technical, financial and managerial roles with Esso Australia, Ampolex, AIDC, and Roc Oil. Bruce's career has included leadership roles in major appraisal, development and production projects in Australia and in Asia as well as key executive roles in financial and commercial management. Bruce was appointed Managing Director of AWE on 1 February 2011.
David I. McEvoy **BSc (Physics), Grad Dip (Geophysics)** Independent Non-executive Director Chairman of the Sustainability Committee Member of the Audit and Governance Committee	David McEvoy has a petroleum geoscience background with almost 40 years' experience in international exploration and development. He has held several senior executive positions in affiliates of ExxonMobil, most recently Vice President, Business Development in ExxonMobil Exploration Company from 1997 to 2002. David is currently a non-executive director of Woodside Petroleum Ltd, and was formerly a non-executive director of Po Valley Energy Limited and ACER Energy Limited (formerly Innamincka Petroleum Ltd). David was appointed a non-executive director of AWE on 22 June 2006.
Kenneth G. Williams **BEc (Hons), MAppFin, MAICD** Independent Non-executive Director Chairman of the Audit and Governance Committee Member of the People Committee	Kenneth Williams has over 20 years operational experience in corporate finance with an emphasis on treasury and financial risk management as well as diverse experience in mergers, acquisitions, divestments and corporate reconstructions. During his executive career he has worked for significant Australian enterprises including Renison Goldfields, Qantas, Normandy Mining and Newmont Australia. Ken has an Honours degree in Economics and a Masters of Applied Finance and is a member of the Australian institute of Company Directors. Ken is a non-executive Chairman of Havilah Resources NL, non-executive director of Curnamona Energy Limited and a non-executive director of Geothermal Resources Limited (the latter two companies now delisted from ASX). Ken was appointed as a non-executive director of AWE on 26 August 2009.
Vijoleta Braach-Maksvytis **BSc, PhD, MAICD** Independent Non-executive Director Chair of the People Committee Member of the Sustainability Committee	Dr Vijoleta Braach-Maksvytis is an innovation strategist with more than 20 years' experience in science and technology, the commercialisation of technology, and intellectual property strategy. Previous roles include Head of the Office of the Chief Scientist of Australia, Senior Executive and Director Global Development for CSIRO, Deputy Vice Chancellor Innovation and Development at the University of Melbourne. She was the Chairman of Melbourne Ventures Pty Ltd and member of the Australian Federal Government's Green Car Innovation Fund Committee and Advisory Board of the Intellectual Property Research Institute of Australia. Vijoleta is a Member of the Australian Federal Government's Green Car Innovation Fund Committee, on the advisory board of the Intellectual Property Research Institute of Australia, and is also a member of other public interest boards. She is currently a non-executive director of Orbital Corporation Limited. Vijoleta was appointed as a non-executive director of AWE on 7 October 2010.
Raymond J. Betros **BEng Chemical, Grad Dip Process Plant Engineering** Independent Non-executive Director Member of the Sustainability Committee Member of the Audit and Governance Committee	Raymond Betros is a highly experienced senior executive specialising in international business and project development and technical management. His expertise in forming and leading multi-disciplinary teams to undertake large scale ventures involving complex interrelated activities is internationally recognised. Raymond has held various senior executive positions at BHP/BHP Billiton (1993-2004), BG Group (2004-2008) and most recently Santos (2008-2011) where he held the position of Executive Vice-President Technical until his retirement from executive duties. Raymond was appointed as a non-executive director of AWE on 22 November 2012.
Karen L. C. Penrose **BComm CPA, GAICD** Independent Non-executive Director Member of the Audit and Governance Committee Member of the Sustainability Committee	Karen Penrose has over 30 years' experience in the finance and corporate sectors, including 20 years in banking with the Commonwealth Bank of Australia and HSBC Bank Australia. In the eight years to early 2014 Ms Penrose held Chief Financial Officer and Chief Operating Officer roles with Wilson HTM Investment Group Ltd and Keybridge Capital Limited. Karen is a non-executive director of Commonwealth Managed Investments Limited and CFX Co Limited and a non-executive director and Deputy Chairman of Silver Chef Limited. She is also a director of Marshall Investments Pty Limited and Council Member for Chief Executive Women. Karen was appointed a non-executive director of AWE on 28 August 2013.

Mr Andy Hogendijk retired as a non-executive director of AWE on 27 November 2013

No directors of the Company either resigned or were appointed since the end of the financial year.

It is intended that Mr Phillips and Mr McEvoy by rotation, will stand for re-election at the Company's 2014 Annual General Meeting.

Company secretary

Mr Neville Kelly was appointed to the position of Company Secretary in October 1999. Mr Kelly (BCom, Merit, CPA) is an accountant with over 30 years commercial experience in the upstream sector of the Australian oil and gas industry, including 12 years' experience with Bridge Oil Limited. Neville was also the Chief Financial Officer of AWE until 31 October 2011 and joined the Company on its public listing in 1997.

Remuneration report

The Remuneration Report set out on pages 18 to 31 forms part of the Directors' Report for the financial year ended 30 June 2014.

Corporate governance statement

Details of the Company's corporate governance practices are included in the Corporate Governance Statement set out on pages 32 to 42.

Dividends

Dividends paid or declared by the Company to members since the end of the previous financial year were:

	Cents per share	Total amount $'000	Franking	Date of payment
Declared and paid during the 2014 financial year	-	-	-	-
Declared and paid during the 2013 financial year	-	-	-	-

Events subsequent to balance date

Subsequent to year end, the Company completed the drilling of the Oi-1/2 exploration well. The well intersected the primary target Kapuni F10 sands, however no significant oil shows were encountered and the well was subsequently plugged and abandoned. The Company has recognised the full cost of the drilling expenditure incurred up to the end of the financial year of $11.5 million in the 2013/14 financial year, and a further $5.3 million is expected to be incurred subsequent to year end.

The Company entered into a farm-in agreement with ROC Oil Company Limited on 8 August 2014 for a 40% participating interest in exploration Block 09/05 in the Bohai Bay area, People's Republic of China.

In the opinion of the directors, no other matter or circumstance has arisen since 30 June 2014 that has significantly affected, or may significantly affect:

a) the consolidated entity's operations in future financial years, or
b) the results of those operations in future financial years, or
c) the consolidated entity's state of affairs in future financial years.

Directors’ interests

The relevant interest of each director in the share capital of the Company, as notified by the directors to the Australian Securities Exchange (“ASX”) in accordance with section 205G(1) of the Corporations Act 2001, at the date of this report is as follows:

Director	Fully paid ordinary shares
B. J. Phillips	2,900,914
B. F. W. Clement	260,061
D. I. McEvoy	30,000
K. G. Williams	20,000
V. Braach-Maksvytis	-
R.J Betros	70,000
K. L. C. Penrose	17,935

No directors’ interests are subject to margin loans. Further details of directors’ interests in share capital are set out in note 32 to the financial statements, Related party disclosures.

Directors’ meetings

The number of meetings, including meetings of committees of directors and the number of meetings attended by each director of the Company during the financial year were:

	Directors’ meetings		Audit and Governance Committee meetings		People Committee meetings		Sustainability Committee meetings	
Director	Held[1]	Attended	Held[1]	Attended	Held[1]	Attended	Held[1]	Attended
B. J. Phillips	13	13			4	4		
B. F. W. Clement	13	13						
D. I. McEvoy	13	13	6	6			4	4
A. J. Hogendijk[2]	5	5	3	3	2	2		
K. G. Williams	13	13	6	6	4	4		
V. Braach-Maksvytis	13	12			4	4	4	4
R.J Betros	13	12	4	4			4	4
K. L. C. Penrose[3]	10	10	4	4			3	3

1. Reflects the number of meetings held during the time the Director held office, or was a member of the Committee during the year.

2. Resigned on 27 November 2013.

3. Appointed 28 August 2013.

Indemnification and insurance of officers

Under the Company's Constitution, and to the extent permitted by law, every person who is, or has been, a director or officer of the Company is indemnified against:

1. a liability incurred by that person, in his or her capacity as a director or secretary, to another person (other than the Company or a related body corporate of the Company) provided that the liability does not arise out of conduct involving a lack of good faith; and

2. a liability for costs and expenses incurred by that person:

   (i) in defending any proceedings in which judgement is given in that person's favour, or in which that person is acquitted, or

   (ii) in connection with an application in relation to any proceedings in which the Court grants relief to that person under the Corporations Act.

During the financial year, the Company paid premiums based on normal commercial terms and conditions to insure all directors, officers and employees of the Company against the costs and expenses in defending claims brought against the individual while performing services for the consolidated entity. The premium paid has not been disclosed as it is subject to the confidentiality provisions of the insurance policy.

The Company has entered into Indemnity Deeds to indemnify directors and certain executives of the Company against all liabilities incurred in the course of or arising out of their employment with the Company and its controlled entities, except where the liability results wholly or in part from serious and wilful misconduct by the executive or director.

Audit and non-audit services

Details of the amounts paid to the auditor of the Company, Ernst & Young, and its related practices for audit and non-audit services provided during the year are set out below.

EY	2014 $	2013 $
Audit services - auditor of the Company		
Audit and review of financial reports	**398,151**	410,915
Taxation Services		
Taxation compliance services	**95,000**	87,653
Other Services		
Advisory and assurance services	**63,357**	222,372
Total remuneration of Ernst & Young	**556,508**	720,940

During the year Ernst & Young, the Company's auditor, has performed certain other services in addition to their statutory duties. The Board has considered the non-audit services provided during the year by the auditor and in accordance with written advice provided by resolution of the Audit & Governance Committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non–audit services do not impact the integrity and objectivity of the auditor; and
- The non-audit services do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Auditor’s independence declaration under section 307C of the Corporations Act 2001

The auditor’s independence declaration is set out on page 17 and forms part of the Directors’ Report for the year ended 30 June 2014.

Rounding off

The Company is of a kind referred to in Australian Securities and Investments Commission (“ASIC”) Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order amounts in the financial report and the Directors’ Report have been rounded off to the nearest one thousand dollars unless otherwise stated.

Signed in accordance with a resolution of the directors:

B. J. PHILLIPS	**B. F. W. CLEMENT**
Chairman	**Managing Director**

Dated at Sydney this 26th day of August 2014

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Sydney NSW 2000 Australia
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Auditor's Independence Declaration to the Directors of AWE Limited

In relation to our audit of the financial report of AWE Limited for the financial year ended 30 June 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Trent van Veen
Partner
Sydney
26 August 2014

June 2014 remuneration report

Key Points

Total Shareholder Return (TSR)	TSR for the June 2014 financial year of 45% compared to ASX 200 Energy Index of 19% TSR for 3 years to 30 June 2014 of 49% compared to ASX 200 Energy Index of 6%
Short term Incentive (STI)	STI payment to Managing Director set at 60% of maximum allowable STI payment to senior executives averaged 57% of maximum allowable
Long term Incentive (LTI) **Vesting of Rights – 3 year cycle to June 2014**	Managing Director and senior executives: • Relative TSR Rights – 100% vesting based on 3 year performance at 80th percentile of comparator group; • Absolute TSR Rights – 100% vesting based on 3 year TSR of 14.1% compound; and • Retention Rights – 100% vesting (1)
Award of Rights – 3 year cycle to 30 June 2016	60% of maximum entitlement granted to Managing Director Average of 62% of maximum entitlement granted to senior executives
Fixed remuneration	Fixed remuneration of Managing Director increased by 4%
Non-executive directors	Increased fees of 2.5% in line with CPI No participation in LTI or STI
Changes to Remuneration Structures for Financial Year June 2015	Deferral and clawback provisions to apply to LTI and STI for Managing Director and senior executives for awards granted from July 2014 Comparator group used for Relative TSR performance for awards granted from July 2014 changed to only include these companies in the relevant index at the end of the 3 year measurement period

(1) Retention rights are not granted to the Managing Director.

Contents

Abbreviations used in this report:

Act	Corporations Act 2001 (Cth)
ASX	Australian Securities Exchange Limited
AWE	AWE Limited or the Company
HSE	Health safety & environment
KMP	Key management personnel
KPI	Key performance indicator
LTI	Long term incentive
NED	Non-executive director
Plan	Share rights plan
Rights	Share rights
STI	Short term incentive
TSR	Total shareholder return
VWAP	Volume weighted average price

1. Introduction

The directors of AWE Limited ("AWE" or the "Company") present the Remuneration Report prepared in accordance with section 300A of the *Corporations Act 2001* ("the Act") for the consolidated entity for the year ended 30 June 2014.

The information provided in this report forms part of the Directors Report and outlines the remuneration arrangements of the consolidated entity in accordance with the requirements of the Act and its regulations. This information has been audited as required by section 308 (3C) of the Act.

This report details remuneration information pertaining to directors and senior executives who are the 'Key Management Personnel' ("KMP") of the consolidated entity. KMP are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of AWE.

The following non-executive directors ("NEDs") and senior executives have been identified as KMP for the purpose of this report:

Non-executive directors		
Bruce J. Phillips	Chairman	
David I. McEvoy	Non-Executive Director	
Andy J. Hogendijk	Non-Executive Director	Retired 27 November 2013
Kenneth G. Williams	Non-Executive Director	
Vijoleta Braach-Maksvytis	Non-Executive Director	
Raymond J. Betros	Non-Executive Director	Appointed 22 November 2012
Karen L.C. Penrose	Non-Executive Director	Appointed 28 August 2013

Executive director and senior executives		
Bruce F. W. Clement	Managing Director	
Dennis Washer	Chief Operating Officer/General Manager, New Zealand	
Ayten Saridas	Chief Financial Officer	
Neil P. Tupper	General Manager, Exploration and Geoscience	Appointed 20 May 2013
Michael Drew	Group General Counsel/General Manager Commercial	Appointed 1 May 2013, ceased employment 30 June 2014
Neville F. Kelly	Company Secretary/General Manager Corporate	
David R. N. Gaudoin	Vice President, Exploration and Exploitation, Indonesia	Ceased employment 1 November 2013

Dates of appointment or resignation are noted in the above tables if the appointment or resignation occurred within the previous two financial years.

2. Remuneration governance framework

The People Committee is responsible for making recommendations to the Board on remuneration policies and employment practices applicable to directors, senior executives and other employees.

The role and responsibilities of the People Committee is documented in a charter approved by the Board and is reviewed as required but in any event at least each 2 years. A copy of this charter is available on the Company's website.

The People Committee must comprise at least two non-executive directors, the majority of whom shall be independent. No executive can be a member of the Committee. The People Committee currently comprises Vijoleta Braach-Maksvytis (Chair), Kenneth Williams (former committee Chairman), and Bruce Phillips, all of whom are non-executive directors and are considered to be independent. Mr Andy Hogendijk retired as a member of the People Committee on 27 November 2013.

Role

The role of the People Committee as defined in the charter is to ensure that the remuneration policies and employment practices of AWE:

- Are consistent with the Company's goals and objectives;
- Deliver outcomes in line with strategic business goals;
- Recognise the scale and complexity of the Company's business activities;
- Encourage directors and senior executives to deliver short term objectives and to pursue the long term growth and success of the Company within an appropriate control framework;
- Deliver a level and composition of remuneration that is appropriate and fair to a broad range of stakeholders;
- Define the relationship of remuneration to corporate and individual performance; and
- Attract and retain talented and effective directors and employees so as to encourage enhanced performance of the Company.

The People Committee also evaluates the appropriateness of remuneration packages given trends in comparable companies, the need to drive a performance-based culture and the objectives of the Company's remuneration strategy.

Responsibilities
The responsibilities of the People Committee as defined in the charter are to review and make recommendations to the Board or its related committees on:

- Policies for employment and remuneration of all AWE employees;
- Recruitment, retention and termination policies and procedures for senior executives;
- The remuneration package of the Managing Director;
- The remuneration packages of senior executives in consultation with the Managing Director;
- Performance schemes including short term and long term incentives;
- Superannuation arrangements;
- The remuneration framework for non-executive directors, within the limit approved by shareholders;
- Management succession planning;
- Procedures necessary to ensure compliance with industrial relations law;
- The appointment of external remuneration consultants and evaluation of advice from remuneration consultants in accordance with the Act;
- The diversity disclosure plan and the Company's progress in achieving measurable diversity objectives;
- The annual Statutory Remuneration Report;
- People related disclosures in the annual Sustainability Report; and
- Other matters as requested by the Board.

Should the Company receive advice from external consultants to assist in making decisions on the amount or structure of the remuneration of one or more KMP:

- The consultant is to be appointed by the People Committee or NED's;
- Advice received from the consultant must be provided directly to the People Committee or NED's;
- Fees paid to the consultant must be disclosed; and
- The consultant must declare their independence.

No remuneration consultants were appointed during the current financial year.

3. Executive remuneration arrangements

3.1. Principles and strategy

Objectives
The key objectives of AWE's remuneration practices are to:

- Align the interests of senior executives, employees and shareholders;
- Attract and retain suitably qualified senior executives and employees; and
- Motivate senior executives and employees to achieve superior performance.

Mix of remuneration
To achieve these objectives remuneration packages consist of:

- Fixed remuneration;
- Short term performance benefits; and
- Long term performance benefits.

The remuneration structures are designed to align the interests of shareholders with remuneration outcomes by taking into account:

- The performance of the consolidated entity including:
    - The growth in total returns to shareholders;
    - The consolidated entity's financial results;
    - Delivery of base business (that is, "business as usual");
    - The results of exploration, development and production activities;
    - Business growth;
    - Delivery of strategic objectives;
    - Adherence to health, safety and environment policies and targets; and
    - Compliance with regulations.
- The capability and experience of senior executives;
- The ability of senior executives to control the performance of their relevant area of responsibility; and
- Current economic and industry circumstances.

The Company has been monitoring the progress of legislative changes relating to the deferral and clawback of performance based remuneration and has implemented appropriate changes from 1 July 2014 to remuneration arrangements for senior executives. These changes are summarised in “Changes to remuneration structures” below.

With the Company’s international operations it should be noted that expatriate personnel are entitled to assignment benefits in addition to fixed remuneration and performance related benefits. These expatriate benefits are provided to compensate for circumstances particular to the assignment location and are in line with market practice and market conditions in the relevant location. The Company considers that these costs should be recognised as an investment in the continued success of projects and long term value creation.

Market comparatives
In order to attract and retain suitably qualified senior executives and technical personnel and to ensure that salary packages are reasonable and competitive but not excessive, fixed remuneration levels and at risk remuneration structures in the form of short term incentive benefits and long term incentive benefits are benchmarked against independently provided data on Australian upstream oil and gas companies. The market for such senior executives and technical professionals in the upstream oil and gas industry continues to be very competitive and the Company’s remuneration framework is structured accordingly.

To ensure that long term incentive structures are appropriately aligned to the long term interests of shareholders, the vesting of share rights (“rights”) are conditional on performance conditions which are tied to the three year total shareholder return of the Company and to the three year total shareholder returns of comparator ASX listed energy companies.

Company performance
The following table identifies the consolidated entity’s performance in respect of the current financial year and the previous four financial years:

	2014	2013	2012	2011	2010
Profit/(loss) ($ millions)	62.5	20.0	(66.5)	(117.6)	(28.9)
30 June share price ($)	1.80	1.24	1.34	1.28	1.78
Change in share price ($)	0.56	(0.10)	0.06	(0.50)	(0.79)
Total shareholder return (%)	45%	(7%)	9%	(28%)	(31%)
AWE performance relative to ASX Energy 200 Energy Index	26%	(15%)	30%	(35%)	(27%)
AWE performance relative to ASX 200 Index	26%	(30%)	21%	(35%)	(40%)

Changes to remuneration structures
As noted in last year’s Remuneration Report and as part of the continual review of remuneration structures, the Company advised of refinements made to reduce the amount of share rights (“rights”) that can be issued as follows:

- Establishing the maximum number of rights that can be issued with the actual number of rights that are granted (which will be less than or equal to this maximum) being determined by the Board;
- Basing the number of rights that are granted on Company and individual performance in the previous financial year; and
- Reducing the participation scales for the Managing Director and senior executives.

Further, the vesting criteria applying to rights have been tightened by:

- Increasing the hurdle rates applying to absolute performance measures;
- Increasing the hurdle rates applying to relative performance measures; and
- Decreasing the retention component for senior executives.

Additional refinements to remuneration arrangements to be introduced with effect from the June 2015 financial year include:

Deferral and Clawback of Performance – Based Remuneration
Scope
- A deferral and clawback policy has been adopted for performance-based remuneration which applies to the managing director and senior executives;
- The policy is to apply on a prospective basis for STI and LTI awards granted from July 2014; and
- The Board (or delegated committee of the Board) has the discretion and authority to make determinations under this policy.

Application
- Clawback can include reduction, clawback or cancellation of awards;
- Clawback applies to both vested awards which have been deferred and awards granted but not yet vested; and
- Once an STI or LTI award is vested, 50% of that award will be deferred for a period of 12 months and will be subject to clawback.

Clawback Circumstances

- Serious misconduct;
- Material misstatement in AWE's financial statements; or
- Material error or miscalculation that results in the award of performance based remuneration that would not have otherwise been awarded.

Relative TSR Comparator Group
AWE acknowledges that an inherent difficulty in determining appropriate peer group companies to be included in the comparator group of companies for Relative TSR purposes is that over the testing period of three years this peer group of companies can change. These changes could be caused by a number of factors including companies no longer being listed on ASX or when better performing companies subsequently gain entry to the nominated ASX index, or alternatively when poorer performing companies are no longer included in the nominated ASX index.

Accordingly for grants of rights for the three year period commencing from 1 July 2014 the board has determined that the comparator group of companies to be used in determining Relative TSR performance will be upstream oil and gas companies in the ASX Energy 300 Index at the end of the measurement period in 30 June 2017. The TSR performance of these comparator companies over the three year period will be measured at the end of the three year period to determine the relative performance of the Company.

3.2. Fixed remuneration

Fixed remuneration consists of base salary calculated on a total cost basis, including fringe benefits tax and superannuation contributions (or equivalent).

Remuneration levels are reviewed at least annually by the People Committee through a process that considers independent externally provided remuneration data and also taking into account the overall performance of the consolidated entity to ensure that remuneration is appropriate and competitive in the market place.

For details of fixed remuneration paid to senior executives and directors refer to section 5 and 6.

3.3. Short term incentives

Short term performance benefits are awarded in the form of cash bonuses. These benefits are "at risk" and are paid for performance during the financial year and are designed to reward senior executives for meeting or exceeding Company and individual Key Performance Indicators ("KPIs").

Managing Director KPIs

Each year, the Board sets corporate KPIs for the Managing Director which are based on overall corporate performance targets.

June 2014 and June 2015 Financial Years
For both the June 2014 and June 2015 financial years the corporate KPIs for the Managing Director are based on a balanced scorecard approach which are designed to deliver sustainable shareholder returns both in the short term and long term. These performance measures include:

- Delivery of base business (50%) –includes specific targets with respect to delivery of production, capital expenditure and exploration programs, operating expenditure, reserves replacement, financing activities, team performance, HSE performance and community and regulatory engagement.

- Strategy and growth (30%) – includes targets with respect to portfolio management, business development, exploration new ventures, unconventional gas strategy, and new energy initiatives.

- Board discretion (20%) – includes an allowance to cover the potential and inevitable changing company and industry circumstances during the financial year.

On an assessment of actual performance under these measures for the 2014 financial year the board has determined that a total of 60% of maximum KPI will be awarded to the Managing Director. For further details refer to section 5.2.

Given the continuing changing circumstances of both the Company and the upstream oil and gas industry in general, the board is of the view that these KPI performance measures will inevitably be required to respond to such circumstances and accordingly may vary from year to year. The board believes that the attainment of these measures will result in sustainable shareholder returns both in the short term and long term.

Senior Executives KPIs

Corporate KPIs for senior executives are based on the same corporate KPIs as the Managing Director. In addition, the Managing Director sets individual KPIs for the senior executives. These KPIs take into account individual and departmental performance over which the senior executive has responsibility. The board believes that the attainment of these individual and departmental KPIs is essential in delivering overall corporate objectives.

The structure of these short term incentive ("STI") benefits as a percentage of fixed remuneration is as follows:

	Managing Director[(1)]	Senior Executives[(2)]
Target – meets performance objectives	25%	20%
Stretch – exceeds performance objectives	25%	20%
	50%	**40%**

1. 100% of Managing Director KPIs are based on achieving corporate performance measures.
2. 50% of senior executive KPIs are based on the same corporate KPIs as the Managing Director and 50% are subject to individual and departmental KPIs over which the individual senior executive has responsibility.

The maximum STI is only payable if both the Company and individual performance are at the highest level and exceed expectation or in exceptional circumstances of outstanding individual performance where the Board may award up to 100% of that individual's short term performance benefit even though some KPIs have not been achieved. This special circumstance is designed to reward and retain outstanding employees in times where outstanding individual results have been achieved even though some KPI targets have not been achieved due to circumstances beyond the control of the individual senior executive.

3.4. Long term incentive plans

Long term incentive ("LTI") "at risk" performance benefits are awarded in the form of share rights with vesting conditions tied to retention, absolute Total Shareholder Return ("TSR") and relative TSR.

The rationale for the choice of these criteria includes:

- To align employees with the commonly shared goals of delivering high returns for shareholders over the medium to long term;
- To encourage and assist employees to become shareholders of AWE;
- To provide a long term component of remuneration to enable AWE to compete effectively for the calibre of talent required for the Company to be successful; and
- To help retain talented personnel, minimise employee turnover and stabilise the workforce.

The Company no longer issues employee share options as a method of rewarding long term performance. No employee share options have been issued since June 2009 and all residual employee share options expired unexercised during the June 2014 financial year.

Share Rights Plan

The Company introduced a Share Rights Plan in June 2010 for the award of long term performance benefits. The Plan is designed to generate performance-based awards that may be converted, at the Board's discretion, into AWE shares or cash.

The key elements of the Plan include:

- Rights are granted each year with the number of rights granted being determined by the employee's level in the Company, fixed remuneration at the time of grant and taking into account both the Company and employee's performance in the previous financial year.
- There are three tranches of rights with separate vesting criteria:
  - Retention [(1)];
  - Absolute TSR; and
  - Relative TSR.
- The vesting period is for three years, the rights will lapse after three years if not vested and there will be no retesting.
- Rights granted in any particular financial year are tested for vesting over the three year period commencing 1 July of the grant year.

1. Retention rights are not granted to the Managing Director

The Plan defines TSR as "The percentage change over a period in shareholder value due to share price movement and dividends paid assuming dividends are reinvested into AWE shares".

Early vesting of rights is not permitted other than at the time of change in control of the Company where the extent of any vesting is to be determined at the discretion of the Board. On termination of employment, rights are forfeited unless and to the extent determined by the Board. The Board has discretion whether or not to make a determination and reserves the right to exercise that discretion having regard to the circumstances that might arise from time to time.

The maximum number of rights that can be granted as a percentage of fixed remuneration at the time of grant and converted to a number of rights using the 30 day volume weighted average price ("VWAP") of the AWE share price as at 30 June of the grant year are as follows:

	Rights granted from the June 2013 Financial Year Maximum number of rights available as a percentage of Fixed Remuneration (1)				Rights granted up to the June 2012 Financial Year Absolute number of rights available as a percentage of Fixed Remuneration			
	Retention vesting condition	**Absolute TSR vesting condition**	**Relative TSR vesting condition**	**Total(1)**	**Retention vesting condition**	**Absolute TSR vesting condition**	**Relative TSR vesting condition**	**Total(1)**
Managing Director	**NA**	**50%**	**50%**	**100%**	NA	75%	75%	150%
Senior Executives	**15%**	**30%**	**30%**	**75%**	20%	30%	30%	80%

1. Maximum total number of rights to be granted from June 2013 financial year decreased from previous years and number of rights granted is now a maximum number based on past Company and individual performance

The above table represents the maximum number of rights that can be awarded but will vest only if all performance conditions are satisfied to 100% (and then only if the maximum number of initial rights were granted based on past Company and individual performance).

Vested rights will entitle the senior executive to an award which will vary with the AWE share price at the time of vesting. The board may decide in its absolute discretion the form of payment (cash or issue of shares) to satisfy these vested rights.

Retention grants

- Number of rights calculated using the 30-day VWAP of the AWE share price as at 30 June of grant year.
- Vest after three years if the employee remains employed by AWE.

Absolute TSR grants

- Number of rights calculated using the 30-day VWAP of the AWE share price in June of grant year.
- Vest after three years according to the Company's Absolute TSR for that three year period.
- The vesting scales to apply for Absolute TSR grants are as follows:

Rights granted from the June 2013 Financial Year (1)	
AWE TSR	**% of rights to vest**
< 8% pa compound	-
8% pa compound	25%
>8% and <10% pa compound	Pro rata
10% pa compound	50%
>10% and <12% pa compound	Pro rata
12% pa compound	100%

Rights granted up to the June 2012 Financial Year (2)	
AWE TSR	**% of rights to vest**
< 6% pa compound	-
6% pa compound	25%
>6% and <9% pa compound	Pro rata
9% pa compound	50%
>9% and <12% pa compound	Pro rata
12% pa compound	100%

1. Performance hurdles increased
2. Tested for vesting in financial years up to June 2014

Relative TSR grants

- Number of rights calculated using the 30-day VWAP of AWE share price in June of grant year.
- Vest after three years according to the Company's TSR relative to comparable companies in ASX Energy 300 Index in grant year as per the table below (companies no longer in the index are excluded).
- The vesting scales to apply for Relative TSR grants are as follows:

The Board determines in advance the appropriate comparator group to apply to Relative TSR grants for the following 3 year period.

Rights granted from the June 2013 Financial Year (1)	
AWE TSR relative to TSR of companies in S&P/ASX Energy Index at date of grant	**% of rights to vest**
< 50%	-
50%	25%
>50% and <90%	Pro rata
90% and above	100%

Rights granted up to the June 2012 Financial Year (2)	
AWE TSR relative to TSR of companies in S&P/ASX Energy Index at date of grant	**% of rights to vest**
< 50%	-
50%	50%
>50% and <75%	Pro rata
75% and above	100%

1. Performance hurdles increased
2. Tested for vesting in financial years up to June 2014

For an analysis of rights granted, vested and forfeited in the June 2014 financial year, refer to section 5.3.

Employee Share Option Plan (closed during 2009)

The Company no longer issues employee share options as a method of rewarding long term performance. No employee share options have been issued since June 2009 and all residual employee share options expired unexercised during the June 2014 financial year.

For an analysis of employee share options forfeited in the June 2014 financial year, refer to section 5.3.

3.5. Other benefits

The personal needs of directors and senior executives may be taken into account when determining the appropriate remuneration mix and the Company allows salary sacrifice arrangements to the extent that it complies with all applicable laws, and there is no net cost to the Company doing so.

4. Service agreements

Managing Director – Bruce Clement

On 1 February 2011, Mr Bruce Clement commenced as Managing Director and at the time of his formal appointment, the details of the service agreement entered into with Mr Clement were disclosed and are summarised as follows:

Terms of Contract	Contract commenced 1 February 2011 and continues until terminated under the termination provisions of the contract.
Remuneration	Remuneration is made up of the following components: • Fixed Remuneration for financial year 2014 was $899,891 per annum inclusive of salary, superannuation and fringe benefits tax which is reviewed annually effective 1 July; • At risk short term performance benefits which are summarised in section 3.3 and can represent up to 50% of base salary for the year; and • At risk long term performance benefits which are granted on an annual basis in the form of rights under the Company's Cash Share Rights Plan. The board has determined that all awards of rights to Mr Clement are subject to approval of shareholders at the Company's Annual General Meeting. Details of rights currently held by Mr Clement are at section 5.4.
Termination	The service agreement contract may be terminated in the following circumstances: • Voluntary termination by the Company or Mr Bruce Clement on six months' notice. On termination by the Company, a termination payment of 6 months of then base salary is payable in addition to any payment in lieu of notice. On termination by Mr Clement, no such termination payment will be made. Pro-rated short term benefits will be paid according to the achievement of KPIs to the date on which notice is given. Any granted but unvested rights at the date on which notice is given will be forfeited; • Termination by the Company on three months' notice in the event of illness or injury. Pro-rated short term benefits will be paid according to the achievement of KPIs to the date on which notice is given. Any granted but unvested rights at the date on which notice is given will be forfeited; or • Termination by the Company for cause and without notice. Any short term benefits or rights that have not vested at the date on which notice is given will be forfeited

Senior Executives

The key terms and conditions of service agreements for all other senior executives (excluding the Managing Director) are summarised as follows:

Remuneration	Executive Service Contracts standardise the executive's entitlement to: • Fixed remuneration; • Short term performance benefits; • Long term performance benefits; and • Any other benefits that may be provided by the Company.
Termination	Service agreements may be terminated under the following circumstances: • Resignation on three months' notice by the executive; • Termination on three months' notice by the Company; or • Termination without notice by the Company for cause. In the event of a redundancy or defined change in circumstances the senior executive is entitled to a 12 month termination payment (in the case of Neville Kelly this entitlement is two years under certain defined circumstances) unless not otherwise permitted by law. However, for senior executives commencing employment after 1 July 2011 (Ms Saridas and Mr Tupper) this termination payment has been reduced to 6 months.
Term	The service contracts have no fixed term.

Notes in relation to certain executives:

Neil Tupper

Mr Neil Tupper, General Manager Exploration and Geoscience, was appointed on 20 May 2013. In accordance with the terms of his Executive Services Agreement, he is entitled to receive a retention payment as follows:

- $50,000 gross to be paid at 30 June 2014 on the basis that he remains employed by the Company; and
- $50,000 gross to be paid at 30 June 2015 on the basis that he remains employed by the Company at that time.

David Gaudoin

Mr David Gaudoin was Vice President Exploration and Exploitation, Indonesia to 1 November 2013. He received normal base salary and superannuation until the date he ceased employment. On cessation of employment he received:

- Unpaid accrued annual and long service leave; and
- An amount equal to one year's average base salary calculated in accordance with the Corporations Act 2001.

In respect of long-term performance benefits held by Mr Gaudoin:

- Rights were forfeited to the extent of the retention component but otherwise retained for testing in July 2014 and July 2015 on a pro rata basis.

5. Executive remuneration outcomes

5.1 Remuneration tables

Details of the nature and amount of each major element of remuneration of the managing director of the Company and each of the named senior executives are as follows:

Consolidated entity		Short-term				Post employment				Share based payments			
		Salary package [1]	Cash bonus	Non-monetary benefits/ allowance [2]	Total	Superannuation benefits [3]	Other long-term [4]	Termination benefits [5]	Total cash related	Value of rights [6]	Total	Performance related	Value of rights [6]
Executive director		$	$	$	$	$	$	$	$	$	$	%	%
B.F.W. Clement	**2014**	**880,862**	**270,000**	**15,865**	**1,166,727**	**19,029**	**14,876**	**-**	**1,200,632**	**304,288**	**1,504,920**	**38%**	**20%**
	2013	846,438	151,424	15,633	1,013,495	18,842	(16,687)	-	1,015,650	437,879	1,453,529	41%	30%
Other key management personnel													
D. Washer [7]	**2014**	**606,899**	**137,534**	**4,247**	**748,680**	**51,825**	**-**	**-**	**800,505**	**142,520**	**943,025**	**30%**	**15%**
	2013	516,701	85,671	4,350	606,722	44,248	-	-	650,970	158,354	809,324	30%	20%
A. Saridas	**2014**	**435,613**	**119,700**	**3,122**	**558,435**	**16,294**	**2,103**	**-**	**576,832**	**122,972**	**699,804**	**35%**	**18%**
	2013	419,530	87,200	2,863	509,593	16,470	(3,895)	-	522,168	77,138	599,306	27%	13%
N. Tupper [8] and [9]	**2014**	**514,981**	**183,800**	**85,355**	**784,136**	**20,344**	**2,071**	**-**	**806,551**	**52,474**	**859,025**	**28%**	**6%**
	2013	62,005	10,200	149	72,354	3,045	106	-	75,505	-	75,505	14%	-
N. F. Kelly	**2014**	**397,228**	**100,500**	**13,367**	**511,095**	**21,527**	**11,099**	**-**	**543,721**	**113,827**	**657,548**	**33%**	**17%**
	2013	380,948	76,500	12,760	470,208	21,716	11,583	-	503,507	120,843	624,350	32%	19%
M. Drew [10]	**2014**	**401,911**	**60,636**	**3,025**	**465,572**	**23,395**	**(121)**	**-**	**488,846**	**-**	**488,846**	**12%**	**-**
	2013	59,417	13,200	222	72,839	4,167	121	-	77,127	-	77,127	17%	-
D.R.N. Gaudoin [11]	**2014**	**214,102**	**-**	**53,867**	**267,969**	**-**	**24,804**	**509,117**	**801,890**	**(43,078)**	**758,812**	**(6%)**	**(6%)**
	2013	579,720	68,700	292,202	940,622	5,458	(11,781)	-	934,299	126,446	1,060,745	18%	**12%**
Total executive KMP	**2014**	**3,451,596**	**872,170**	**178,848**	**4,502,614**	**152,414**	**54,832**	**509,117**	**5,218,977**	**736,081**	**5,911,980**	**27%**	**12%**
	2013	2,864,759	492,895	328,179	3,685,833	113,946	(20,553)	-	3,779,226	920,660	4,699,886	30%	20%

Notes in relation the remuneration table above.

1 - Salary package includes amounts salary sacrificed.

2 - Amounts included in non-monetary benefits for Mr Gaudoin include costs associated with his Indonesian expatriate assignment including housing, motor vehicle and school fees; and for Mr Tupper these costs include relocation costs.

3 - Superannuation benefits include the amount required to be contributed by the consolidated entity and does not include amounts salary sacrificed.

4 - Other long-term benefits comprise the amount of long service leave accrued and adjustments to underlying assumptions therein in the period.

5 - Amounts classified as termination benefits include salaries paid after the senior executive ceased to be classified as key management personnel but continued to be employed by the consolidated entity.

6 - The fair value of rights granted have been calculated at the grant date using a Black-Scholes Pricing Model and assuming an expected share price volatility of 25% and vesting probability of 43.5% for performance related awards. The value disclosed is the portion of the fair value of rights allocated to this reporting period. The value disclosed does not therefore represent cash received.

Notes in relation to key management personnel

7 - Mr Dennis Washer is paid in NZ dollars. Accordingly, Mr Washer's cash related remuneration will vary with exchange rate movements.

8 - Included within short-term cash bonus paid to Mr Tupper is a $50,000 cash retention payment.

9 - Mr Neil Tupper commenced employment as General Manager, Exploration & Geoscience on 20 May 2013.

10 - Mr Michael Drew commenced employment as Group General Counsel / General Manager Commercial 1 May 2013 and ceased employment on 30 June 2014.

11 - Mr David Gaudoin ceased employment with AWE on 1 November 2013 and certain rights valuations previously expensed have been reversed in the current financial year.

5.2 Analysis of short term performance benefits included in remuneration

Award of short term performance benefits

Section 3.3 of this report details the consolidated entity's approach to the granting and vesting of short term performance benefits.

The award of short term performance benefits in the form of cash bonuses to the Managing Director and senior executives in recognition of Company performance and individual performance in the June 2014 financial year together with the vesting profile of these bonuses are as follows:

	Included in remuneration (1) $	Vested in year (2) %	Forfeited in year (3) %
Director			
B.F.W. Clement	270,000	60.0%	40.0%
Executives			
D. Washer	137,534	52.5%	47.5%
A. Saridas	119,700	66.0%	34.0%
N. Tupper (4)	133,800	62.5%	37.5%
N. F. Kelly	100,500	60.0%	40.0%
M. Drew (5)	60,636	42.5%	57.5%

1 - Amounts included in remuneration represent the amount that vested in the financial year including superannuation payments applicable. No amounts vest in future financial years.
2 - Refer to section 3.1 for details of deferral and clawback of performance based remuneration introduced with effect from the June 2015 financial year.
3 - The percentages forfeited are due to that component of base and stretch performance criteria not being met in the financial year.
4 - Mr Neil Tupper commenced employment on 20 May 2013.
5 - Mr Michael Drew commenced employment on 1 May 2013 and ceased employment 30 June 2014.

5.3 Analysis of long term performance benefits included in remuneration

Section 3.4 of this report details the consolidated entity's approach to the granting and vesting of long term performance benefits.

The value of rights are allocated to each reporting period over the period from grant date to vesting date. Accordingly, amounts included as remuneration for the financial year represent that amount allocated to the financial year from the grant of rights both in the current financial year and previous financial years.

Granting of Share Rights

The number and value of rights granted during the financial year to the managing director and senior executives is detailed below:

	Granted during the year in respect of June 2013 financial year performance and vesting post 30 June 2014				
	Grant date	Number (1)	% of maximum available	Total value $	Fair value per right granted $
Director					
B.F.W. Clement (2)	27 November 2013	427,474	60%	222,212	0.52
Executives					
D. Washer	16 January 2014	198,034	54%	141,080	0.71
A. Saridas	16 January 2014	193,189	69%	137,628	0.71
N. Tupper	16 January 2014	221,174	60%	157,564	0.71
N. F. Kelly	16 January 2014	170,674	66%	121,588	0.71
M. Drew (3)	16 January 2014	181,467	60%	129,277	0.71

1 - The number of rights granted is based on past company and individual performance.
2 - The granting of these rights was approved by shareholders at the 2013 Annual General Meeting.
3 - Mr Michael Drew commenced employment on 1 May 2013 and ceased employment on 30 June 2014. All rights were forfeited on cessation of employment.

The movement during the financial year in the number of rights held by the managing director and senior executives is detailed below:

Movement in share rights	Opening balance	Granted as remuneration	Exercised	Lapsed unexercised	Net change other	Closing balance
As at 30 June 2014						
Director						
B. F. W. Clement (1)	**1,477,565**	**427,474**	**(230,061)**	**-**	**-**	**1,674,978**
Executives						
D. Washer	**497,979**	**198,034**	**(47,102)**	**-**	**-**	**648,911**
A. Saridas	**282,372**	**193,189**	**-**	**-**	**-**	**475,561**
N.P. Tupper (2)	**-**	**221,174**	**-**	**-**	**-**	**221,174**
N. F. Kelly	**381,992**	**170,674**	**(35,622)**	**-**	**-**	**517,044**
M. Drew (3)	**-**	**181,467**	**-**	**-**	**(181,467)**	**-**
D. R. N. Gaudoin (4)	**461,792**	**-**	**(39,988)**	**-**	**(421,804)**	**-**
	3,101,700	**1,392,012**	**(352,773)**	**-**	**(603,271)**	**3,537,668**
As at 30 June 2013						
Director						
B. F. W. Clement (1)	1,836,275	331,474	-	(690,184)	-	1,477,565
Executives						
D. Washer	618,328	153,973	(33,254)	(241,068)	-	497,979
A. Saridas	162,850	119,522	-	-	-	282,372
N. F. Kelly	475,656	116,813	(25,903)	(184,574)	-	381,992
D. R. N. Gaudoin (4)	557,179	140,886	(29,077)	(207,196)	-	461,792
	3,650,288	862,668	(88,234)	(1,323,022)	-	3,101,700

1 - All share rights issued to Mr Clement have been approved by shareholders at previous Annual General Meetings of the Company.
2 - Mr Tupper commenced employment on 20 May 2013.
3 - Mr Drew commenced employment on 1 May 2013 and ceased employment 30 June 2014.
4 - Mr Gaudoin ceased employment on 1 November 2013.

Vesting of Share Rights

The following table describes the actual vesting criteria applying to rights tested for vesting conditions at 30 June 2014 for the managing director and senior executives:

Senior executives rights vesting performance 3 years to June 2014				
Retention rights	**Absolute TSR rights**		**Relative TSR Rights**	
Retention rights vested based on the following criteria:	**All Absolute TSR rights vested based on the following criteria :**		**All Relative TSR rights vested based on the following criteria:**	
Senior executive employed by the consolidated entity three years subsequent to initial grant.	Minimum annual compound rate required for full vesting:	12.0%	Minimum relative performance required for full vesting:	75th percentile
	Actual AWE annual compound TSR for the three year period to 30 June 2014:	14.1%	AWE relative performance against ASX 300 Energy Index comparator group for the three year period to 30 June 2014	80th percentile

On the application of the vesting criteria described above details of 30 June 2014 vesting rights which were tested for vesting conditions subsequent to the end of the financial year are as follows:

30 June 2014 vesting share rights					
		Retention Rights	Absolute TSR Rights	Relative TSR Rights	Total Rights
Director					
B.F.W. Clement [(1)]	On Issue	-	458,015	458,015	916,030
	Forfeited	-	-	-	-
	Vested	-	458,015	458,015	916,030
Executives					
D. Washer	On Issue	74,226	111,339	111,339	296,904
	Forfeited	-	-	-	-
	Vested	74,226	111,339	111,339	296,904
A. Saridas	On Issue	40,712	61,069	61,069	162,850
	Forfeited	-	-	-	-
	Vested	40,712	61,069	61,069	162,850
N. F. Kelly	On Issue	57,389	86,084	86,084	229,557
	Forfeited	-	-	-	-
	Vested	57,389	86,084	86,084	229,557
D.R.N. Gaudoin	On Issue	-	82,062	82,062	164,124
	Forfeited	-	-	-	-
	Vested	-	82,062	82,062	164,124
Total	**On Issue**	**172,327**	**798,569**	**798,569**	**1,769,465**
	Forfeited	**-**	**-**	**-**	**-**
	Vested	**172,327**	**798,569**	**798,569**	**1,769,465**

All the above rights were originally issued in the June 2012 financial year. The board has determined that vested rights for the managing director and senior executives will be settled by the issue of AWE shares.

(1) Approval was received at the Company's 2011 Annual General Meeting to grant these rights to the managing director, and further, approval was received under ASX Listing Rule 10.14 to issue shares to the managing director on the vesting of these rights.

Employee Share Options

The Company no longer issues employee share options as a method of rewarding long term performance. No employee share options have been issued since June 2009 and all residual employee share options expired unexercised during the June 2014 financial year.

Details of employee options lapsing during the financial year are detailed below:

	Grant date	Number lapsed during year ended 30 June 2014
Director		
Nil	-	-
Executives		
D. Washer	15 August 2008	100,000
N. F. Kelly	15 August 2008	100,000
D. R. N. Gaudoin	16 June 2009	200,000

All the above options were granted in the June 2009 financial year and no value was attributable to options that lapsed during the financial year.

5.4 Analysis of movements in long term performance benefits

Employee Share Rights

Details of employee rights granted as remuneration to the managing director of the Company and each of the named senior executives and held at the end of the June 2014 financial year are detailed below:

	Grant date	Number [1]		Financial years in which rights vest [2]	Fair value per right granted [3] $
Directors					
B.F.W. Clement [4]	24 November 2011	916,030	5	30-June-2014	0.54
	22 November 2012	331,474		30-June-2015	0.58
	27 November 2013	427,475		30-June-2016	0.52
Executives					
D. Washer	16 September 2011	296,904	5	30-June-2014	0.60
	4 December 2012	153,973		30-June-2015	0.71
	16 January 2014	198,034		30-June-2016	0.71
A. Saridas	31 October 2011	162,850	5	30-June-2014	0.80
	4 December 2012	119,522		30-June-2015	0.71
	16 January 2014	193,189		30-June-2016	0.71
N. F. Kelly	16 September 2011	229,557	5	30-June-2014	0.60
	4 December 2012	116,813		30-June-2015	0.71
	16 January 2014	170,674		30-June-2016	0.71
N. Tupper	16 January 2014	221,174		30-June-2014	0.71
D. R. N. Gaudoin [6]	16 September 2011	164,124	5	30-June-2014	0.60
	4 December 2012	112,710		30-June-2015	0.71

1 - The vesting of rights is conditional upon satisfaction of vesting conditions as described in section 3.4.

2 - Rights vesting on 30 June 2014 tested for satisfaction of vesting conditions subsequent to the end of the financial year.

3 - The fair value per right granted represents the valuation for rights granted and calculated at grant date.

4 - Grants of rights to Mr Clement have been approved by shareholders at previous Annual General Meetings of the Company.

5 - Satisfied vesting conditions effective 30 June 2014 on the determination of the board subsequent to the end of the financial year. Refer section 5.3 for further details.

6 - Mr David Gaudoin ceased employment on 1 November 2013.

6. Non-executive director remuneration

Total remuneration for all non-executive directors, last voted upon by shareholders at the 2009 Annual General Meeting of the Company, is not to exceed $900,000 per annum, inclusive of superannuation. Total remuneration paid to non-executive directors in the financial year amounted to $875,404 (2013: $815,328). Fees are set based on review of externally provided remuneration data with reference to fees paid to other non-executive directors of comparable companies.

As the total fees paid to non-executive directors are nearing the annual cap previously approved by shareholders, it is intended that the Company seek approval at the 2014 Annual General Meeting to increase this maximum amount by $300,000 to $1,200,000. This increase will enable the Company in the future, if required, to provide for:

- Adequate financial incentives commensurate with the market to attract and retain suitably qualified and experienced directors to replace existing non-executive directors;
- Appropriate arrangements to be put in place to ensure a smooth transition on replacement of directors, including a period of overlap if required; and
- Increases in the number of non-executive directors in the future should it be considered appropriate.

Non-executive directors fees (including superannuation) for the 2014 financial year were as follows:

	Board	Audit Committee	People Committee	Sustainability Committee
Chair	$226,013	$23,678	$17,220	$17,220
Member	$96,863	$11,839	$8,610	$8,610

Non-executive directors do not receive incentive-based remuneration and do not receive any retirement benefits other than statutory entitlements.

Company & consolidated entity		Short-term			Post-employment			
		Fees [1]	Non-monetary benefits	Total	Superannuation benefits [2]	Termination benefits	Total cash related	Total
		$	$	$	$	$	$	$
Non-Executive Directors								
B. J. Phillips	**2014**	**214,757**	**-**	**214,757**	**19,865**	**-**	**234,622**	**234,622**
	2013	210,000	-	210,000	18,901	-	228,901	228,901
D. I. McEvoy	**2014**	**115,260**	**-**	**115,260**	**10,662**	**-**	**125,922**	**125,922**
	2013	112,706	-	112,706	10,144	-	122,850	122,850
A. J. Hogendijk [3]	**2014**	**45,596**	**-**	**45,596**	**4,218**	-	**49,814**	**49,814**
	2013	115,596	-	115,596	10,404	-	126,000	126,000
K. G. Williams	**2014**	**117,757**	**-**	**117,757**	**10,893**	**-**	**128,650**	**128,650**
	2013	112,706	-	112,706	10,144	-	122,850	122,850
N. N. Jukes [4]	**2014**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2013	37,277	-	37,277	3,355	-	40,632	40,632
V. Braach-Maksvytis	**2014**	**111,082**	**-**	**111,082**	**10,275**	**-**	**121,357**	**121,357**
	2013	102,110	-	102,110	9,190	-	111,300	111,300
R. J. Betros [4]	**2014**	**105,698**	**-**	**105,698**	**9,777**	**-**	**115,475**	**115,475**
	2013	57,610	-	57,610	5,185	-	62,795	62,795
K. L.C. Penrose [5]	**2014**	**91,134**	**-**	**91,134**	**8,430**	**-**	**99,564**	**99,564**
	2013	-	-	-	-	-	-	-
Total	**2014**	**801,284**	**-**	**801,284**	**74,120**	**-**	**875,404**	**875,404**
	2013	748,005	-	748,005	67,323	-	815,328	815,328

1 - Fees include amounts salary sacrificed.
2 - Superannuation benefits include the amount required to be contributed by the consolidated entity and does not include amounts salary sacrificed.
3 - Mr Andy Hogendijk resigned as a director on 27 November 2013.
4 - Mr Nick Jukes resigned as a director and Mr Raymond Betros was appointed a director on 22 November 2012.
5 - Ms Karen Penrose was appointed as a director on 28 August 2013.

Corporate governance statement

The ASX Listing Rules require listed entities to disclose the extent to which they have followed the Corporate Governance Principles and Recommendations set by the ASX Corporate Governance Council during the reporting period. This corporate governance statement summarises the corporate governance practices that have been formally reviewed and adopted by the AWE Board with a view to ensuring continued investor confidence in the operations of the Company and endorsing the corporate governance principles relevant to a company of AWE's nature and size.

The 3rd edition of the ASX Corporate Governance Principles and Recommendations was introduced on 27 March 2014 and takes effect for a listed entity's first full financial year ending on or after 1 July 2014. In AWE's case this will mean initial reporting against these revised principles in the 2015 Annual Report.

Accordingly this Corporate Governance Statement has been prepared on the basis of disclosure under the 2nd Edition of these principles with a table included at the back of this statement detailing the Company's compliance with these principles during the period.

The Company's website at www.awexplore.com contains a corporate governance section that includes copies of the Company's corporate governance policies and board committee charters mentioned in this statement.

ASX Principle 1 – Lay solid foundations for management and oversight

Role of the Board
The responsibilities of the Board are to:

- set the strategic direction for the Company and monitor progress of those strategies;
- establish and monitor policies appropriate for the Company;
- approve the business plan and annual work programs and budgets in line with the approved strategy;
- authorise material investment and strategic commitments;
- authorise material asset divestments;
- review capital management initiatives;
- take responsibility for risk management and control processes;
- review and ratify systems for health, safety and environmental management;
- report to shareholders, including but not limited to, the financial statements of the Company;
- evaluate the performance of the Board, Board committees and the Managing Director;
- monitor Board succession planning including to identification and appointment of the Managing Director and non-executive directors;
- take responsibility for corporate governance and regulatory compliance;
- if required, approve any external directorship held by directors or senior executives;
- ensure that trading in the Company's securities takes place in an efficient, competitive and informed market; and
- approve the annual Notice of Annual General Meeting

Board committees have been established to assist the Board in discharging these responsibilities.

Delegation to Management
Other than matters specifically reserved for the Board, responsibility for the operation and administration of the Company has been delegated to the Managing Director. This responsibility is subject to an approved delegation of authority which is reviewed regularly and at least annually.

Internal control processes are designed to allow management to operate within the parameters approved by the Board and the Managing Director cannot commit the Company to additional activities or obligations in excess of these delegated authorities without specific approval of the Board.

ASX Principle 2 - Structure the board to add value

Composition of the Board
The names of the directors of the Company in office at the date of this statement and information regarding directors' experience and responsibilities are set out in the Directors' Report.

The Company's constitution provides for the Board to determine a number of directors that is not less than three and not more than ten directors.

The Board has resolved that it will at all times have a majority of non-executive directors, with at least 50% of directors considered to be independent, including the Chairman, who shall be non-executive.

The preferred combination of skills and experience for the Board of AWE include:

- technical disciplines of upstream oil and gas exploration, development and production;
- finance, taxation, treasury and accounting;
- company strategy and business planning;
- business growth and corporate development;
- both local and international experience; and
- ASX listed public company administration.

The Board considers that collectively the current Board has the appropriate range of skills and experience to direct the Company.

Chairman of the Board
The Chairman of the Board will be a non-executive director and the Chairman will be elected by the directors. The Board considers that at the date of this report, the Chairman Mr Bruce Phillips, is also independent.

Independent Directors
The Board considers that a director is independent if that director complies with the following criteria:

- apart from director's fees and shareholdings, independent directors should not have any business dealings which could materially affect their independent judgement;
- must not have been in an executive capacity in the Company in the last three years;
- must not have been in an advisory capacity to the Company in the last three years;
- must not be a significant customer or supplier for the Company;
- must not be appointed through a special relationship with another board member;
- must not owe allegiance to a particular group of shareholders which gives rise to a potential conflict of interest;
- must not hold conflicting cross directorships; and
- must not be a substantial shareholder or a nominee of a substantial shareholder (as defined under section 9 of the Corporations Act).

The Board considers that on application of the above guidelines the status of the independence of directors is as follows:

Independent Directors	AWE Board	Audit and Governance Committee	People Committee	Sustainability Committee
Mr B.J. Phillips [(1)]	Chairman	-	Member	-
Mr D.I. McEvoy	Member	Member	-	Chairman
Mr K.G. Williams	Member	Chairman	Member	-
V. Braach-Maksvytis	Member	-	Chair	Member
Mr R.J. Betros	Member	Member	-	Member
Ms K. L.C. Penrose	Member	Member	-	Member
Executive Director				
Mr B.F.W Clement	Managing Director	-	-	-

1 - Mr Bruce Phillips was previously Managing Director of the Company up to 31 August 2007, remained as an employee until 31 December 2007 and was appointed a non-executive director on 19 November 2009 and non-executive Chairman on 18 November 2010. The Board considers Mr Phillips is independent since it has been in excess of three years since Mr Phillips held an executive role with the Company and that there has been significant change in the composition of the senior executive committee of the Company since that time.

Following the retirement of Mr Hogendijk and the appointment of Ms Penrose during the period, committee memberships were restructured with Mr Williams being appointed Chairman of the Audit and Governance Committee and Dr Braach-Maksvytis being appointed Chair of the People Committee.

Retirement and rotation of directors
Retirement and rotation of directors are governed by the Corporations Act 2001 and the Constitution of the Company. Each year, one third of directors must retire and offer themselves for re-election. Any casual vacancy filled will be subject to shareholder vote at the next Annual General Meeting of the Company.

It is intended that Mr Phillips and Mr McEvoy by rotation, will stand for re-election at the Company's 2014 Annual General Meeting.

Role of company secretary
The Company Secretary, through the Chairman, is accountable to the Board for the effectiveness of corporate governance processes, ensuring adherence to the Board's principles and procedures. All directors have access to the Company Secretary who has a direct reporting line to the Chairman.

Independent professional advice
Each director has the right to seek independent professional advice at the Company's expense after consultation with the Chairman. Once received, the advice is to be made immediately available to all Board members.

Access to employees
Directors have the right of access to any employee. Any employee shall report any breach of corporate governance principles or Company policies to the Managing Director who shall remedy the breach. If the breach is not rectified to the satisfaction of the employee, they shall have the right to report any breach to an independent director without further reference to senior executives of the Company.

Directors' and officers' liability insurance
Directors' and officers' liability insurance for directors is arranged by the Company at the Company's expense.

Share ownership
Directors are encouraged to own Company shares.

The Company's policy is that directors shall not engage in speculative trading. Also, directors must inform the Chairman if any Company securities are subject to a margin loan. The Company reserves the right to disclose this arrangement to the ASX if the Company believes it is appropriate having regard to the Listing Rules.

Board meetings
The frequency of board meetings and the extent of reporting from management at board meetings are as follows:

- a minimum of six scheduled meetings are to be held per year;
- other meetings will be held as required;
- meetings can be held where practicable by electronic means;
- information provided to the Board includes all material information related to the operations of the Company including exploration, development and production operations, budgets, forecasts, cash flows, funding requirements, investment and divestment proposals, business development activities, investor relations, financial accounts, taxation, external audits, internal controls, risk assessments, people and health, safety and environmental reports and statistics;
- the Chairman of the appropriate board committee reports to the next subsequent board meeting the outcomes of that meeting and the minutes of those committee meetings are also tabled.

The number of directors' meetings (including meetings of committees of directors) and the number of meetings attended by each of the directors of the Company during the financial year are set out in the Directors' Report.

Board performance review
A review of the Board's own performance and effectiveness is conducted annually and the performance of individual directors is also undertaken.

As required by their respective charters the Audit and Governance Committee, the Sustainability Committee and the People Committee undertake an annual self-assessment. The Board and the Board Committees have the discretion for these reviews to be conducted independently from time to time.

In respect of the June 2014 financial year an external independent 360 degree review of the Board and Board committees was performed.

Performance evaluation of the Managing Director, senior executives and employees is undertaken at least annually (refer to separate discussion in the June 2014 Remuneration Report).

Board committees
Audit and governance committee
The role of the Audit and Governance Committee is documented in a formal charter approved by the Board and is reviewed as required but in any event at least every two years.

The Audit and Governance Committee's primary role is to assist the Board of Directors in discharging its responsibilities in respect of the financial affairs and related matters of the Company and to advise and make appropriate recommendations to the Board in respect of such financial responsibilities.

The objectives of the Audit and Governance Committee are to:

- assist the Board in discharging its responsibility to exercise due care, diligence and skill in relation to the Company's:
    - reporting of financial information to users of financial reports;
    - application of accounting policies;
    - financial management;
    - internal control system;
    - corporate and governance risk management;
    - taxation risk management;
    - business policies and practices;
    - protection of the entity's assets; and
    - compliance with applicable laws, regulations, standards and best practice guidelines;

- improve the credibility and objectivity of the accountability process (including financial reporting), especially where the role of the Audit and Governance Committee and its membership by independent non-executive directors is disclosed to shareholders and the public;
- provide a forum for communication between the Board and senior financial management;
- improve the efficiency of the Board by delegating tasks to the Committee and thus allowing more time for issues to be discussed in sufficient depth;
- improve the effectiveness of the external audit functions and to be a forum for improving communication between the Board and the external auditor;
- satisfy itself as to the independence of the external auditor (each reporting period the external auditor provides an independence declaration in relation to the audit or review); and
- improve the quality of internal and external reporting of financial information.

Under its charter, the Audit and Governance Committee must be comprised of at least three independent non-executive Board members appointed by the Board. Any director who is not a member of the Audit and Governance Committee may attend Audit and Governance Committee meetings but will have no voting powers at such meetings. Members will have the appropriate skills (including financial literacy) and time to fill their role on the Audit and Governance Committee. The majority of members will have significant experience with financial and business matters. The Managing Director should not be a member of the Audit and Governance Committee. The Chairperson of the Board of Directors should not be the Chairperson of the Audit and Governance Committee.

At the discretion of the Audit and Governance Committee, the external auditor and the Managing Director and other executives are invited to attend meetings. At least twice per year, the Audit and Governance Committee meets with the external auditor without executives present. The Audit and Governance Committee comprises Mr Williams (Chairman), Mr McEvoy and Mr Betros, all of whom are non-executive and considered to be independent. Meetings are to be scheduled prior to the commencement of each financial year and the charter stipulates that meetings are to be held at least three times a year. The number of Audit and Governance Committee meetings and number of meetings attended by each of the members of the Audit and Governance Committee during the financial year and information regarding committee member experience and responsibilities are set out in the Directors' Report.

The Managing Director and the Chief Financial Officer have declared in writing to the Board that the Company and consolidated entity's financial reports for the year ended 30 June 2014 present a true and fair view, in all material respects, of the Company and consolidated entity's financial condition and operational results and are in accordance with relevant accounting standards. This representation is made by the Managing Director and Chief Financial Officer prior to the directors' approval of the release of both the annual and six-monthly accounts. This representation is made after enquiry of, and representation by, appropriate levels of management (refer also to Risk Management section for declaration made in respect of risk management).

People committee

The roles and responsibilities of the People Committee is documented in a formal charter approved by the Board and is reviewed as required but in any event at least every two years. Refer to the Company's June 2014 Remuneration Report for further information.

For details in relation to the Company's Share Rights Plan, refer to note 21 to the financial statements and to the June 2014 Remuneration Report.

For details of remuneration paid to directors and senior executives for the financial year and the process for evaluating the performance of senior executives, please refer to the June 2014 which is included in the Directors' Report on pages 18 to 32.

The People Committee comprises Dr Vijoleta Braach-Maksvytis (Chair), Mr Phillips and Mr Williams all of whom are non-executive and are considered to be independent at the date of this report.

Sustainability committee

The role of the Sustainability Committee is documented in a formal charter approved by the Board and is reviewed as required but in any event at least every two years.

The Sustainability Committee's role is to assist the Board in meeting its oversight responsibilities in relation to the health, safety, sustainability, integrity and community relations aspects of the Company's operations.

The responsibilities of the Sustainability Committee are:

- Corporate responsibility:
    - Monitoring of compliance with and suggested changes to the Company's policies and procedures in respect of responsible and ethical business dealings.
- Occupational Health and Safety ("OHS")
    - Review of the management of OHS risks and issues; and
    - Monitoring of the Company's OHS performance and compliance with the relevant OHS legislation.

- Sustainability

    - Review of the management of environmental risks and issues;
    - Monitoring of the Company's environmental reporting requirements and processes and compliance with relevant legislation; and
    - Review of and recommendation for approval of the annual Sustainability Report.

- Operational Risk

    - In accordance with the Company's Risk Policy, review of the management of the material operational risk factors associated with the Company's equity/participatory interests in oil and gas exploration, development and production projects and operations; and
    - In accordance with the Company's Risk Policy, overseeing the appropriateness of risk mitigation measures identified for these material operational risks.

The Sustainability Committee will be comprised of not less than three non-executive directors, and where possible, the majority of members will have significant experience in oil and gas operations.

The members of the Sustainability Committee are Mr David McEvoy (Chairman), Dr Vijoleta Braach-Makvytis, Mr Raymond Betros and Ms Karen Penrose.

The number of Sustainability Committee meetings and the number of meetings attended by each of the members of the Sustainability Committee during the financial year and information regarding committee member experience and responsibilities are set out in the Directors' Report.

ASX Principle 3 – Promote ethical and responsible decision-making

Code of conduct
The goal of establishing AWE as a significant Australian-based petroleum exploration and production company is underpinned by its core values of honesty, integrity, common sense and respect for people. AWE desires to remain a good corporate citizen and appropriately balance, protect and preserve all stakeholders' interests.

The Board has adopted a Code of Conduct for directors, employees and contractors of the Company. The Company's goal of achieving above average wealth creation for our shareholders should be enhanced by complying with this Code of Conduct, which provides principles with which directors, key executives and employees should be familiar and with which they are expected to adhere and advocate.

AWE is committed to:

- Ensuring that its employees act ethically and professionally;
- Conducting its business fairly, honourably and with integrity;
- Providing an equal opportunity workplace;
- Carrying out our work professionally, competently and in a courteous manner;
- Providing an equal opportunity workplace;
- Conducting business in compliance with the law in all jurisdictions where the Company operates; and

Further, AWE is committed to adhering to our Health Safety and Environment Policy by protecting the health and safety of all employees and ensuring that our activities have minimal impact on the environment and the greater community.

In meeting these objectives AWE has implemented a range of policies that provide clear guidance to AWE's directors, employees and contractors on the standards of behaviour that is expected at all times when dealing with internal and external stakeholders including suppliers, joint venture partners, governments officials and regulators. These policies include:

- Fraud and Anti-Corruption Policy;
- Whistleblower Policy; and
- Procurement Policy.

Given the Company's expanding international operations, during the period staff training was undertaken to ensure directors, employees and contractors understood and acknowledged the principles and responsibilities underlying these policies.

Further details on the Company's business ethics is provided in the Company's 2014 Sustainability Report.

Trading in Company Securities by Directors, Officers and Employees
Trading of AWE's shares is covered by, amongst other things, the Corporations Act and the ASX Listing Rules. The Board has established a Securities Trading Policy that establishes strict guidelines as to when a director, officer or an employee can deal in Company shares. The policy prohibits trading in the Company's securities during designated blackout periods, particularly around quarterly, six monthly and annual results announcements and whilst the director, officer or employee is in the possession of price-sensitive information.

The policy also describes the Company's policy in respect of equity-based remuneration, "hedge contracts", speculative trading and margin lending. This policy is reviewed by the Board on an annual basis with any material changes being notified to ASX. For details of shares held by directors and officers, please refer to the Directors' Report and note 32 to the financial statements.

Diversity

AWE is committed to a workplace culture that promotes the engagement of diverse, qualified, capable and motivated staff at all levels of the organisation in order to deliver enhanced corporate performance, reputation and shareholder value for the AWE group.

Over the past year AWE has continued to develop a diverse and effective workforce to enable the Company to achieve its strategic goals and female staff continue to be represented at all levels within AWE.

While AWE has a strong merit based culture for all employees and management, a key focus of the Company is to support greater gender diversification in the workplace where possible. AWE is pleased to report on a number of improvements in this regard.
The following table shows the comparative gender representation of men and women at various levels within AWE year on year as at 30 June 2014.

Gender Representation of AWE's Workforce

	Males				Females				Change %
	No. Males 2013	No. Males 2014	% Males 2013	% Males 2014	No. Females 2013	No. Females 2014	% Females 2013	% Females 2014	
Non-Executive Directors	5	4	83%	67%	1	2	17%	33%	**16%**
Senior Executives [1]	6	4	86%	80%	1	1	14%	20%	**6%**
Senior Manager	16	16	94%	94%	1	1	6%	6%	**-**
Senior Technical & Professional	26	20	72%	65%	10	11	28%	35%	**7%**
Technical & Professional	39	20	72%	65%	15	11	28%	35%	**7%**
Support Staff	10	5	27%	22%	27	18	73%	78%	**5%**
Total workforce	102	69	65%	61%	55	44	35%	39%	**4%**

[1] Includes Managing Director

For the purposes of both the above statistics, AWE defines "workforce" as all full-time, part-time and temporary employees and independent contractors.

- During the June 2014 financial year, there was a reduction in the total workforce and an overall increase in the proportion of women across the organisation.
- At director level, with the retirement of one director and the appointment of a new director to the Board, AWE has successfully added a second female member to the Board of Directors resulting in a 33% female representation at non-executive director level.
- At the Senior Technical & Professional level the proportion of female to male staff has increased from 28% in June 2013 to 35% in June 2014 with women now filling HSE and Taxation management positions.
- Similarly, in the Technical & Professional level, the proportion of female to male staff has increased from 28% in June 2013 to 35% in June 2014 with women filling positions such as Geophysicist, Reservoir Engineer and Senior Financial Accountant.
- AWE actively reviews pay equity to ensure alignment of pay for the same roles irrespective of gender.
- AWE supports a culture of work-life balance regardless of an employee's position within the organisation. Excluding directors, 13 out of the 42 female staff (i.e. 31% of female employees) have a flexible working arrangement for either working from home for some of the time, or for part-time employment.
- During the year AWE launched its inaugural Womens' Leadership Program as a means of developing and mentoring female staff in the Company. The program is designed to support career advancement and in so doing, to develop individuals within the organisation to align with Company strategies including future succession planning.

- During the year AWE rolled out a new Discrimination, Harassment and Bullying Policy that includes affirmative action to promote diversity and equal opportunity for women within the organisation. This was done though an online E-learning training program that included testing knowledge and understanding of the policies. It was mandatory training for all staff at all levels across the organisation. In addition, an external trainer ran a separate session specifically targeted for Executives and Senior Managers.
- Retention of women within the Company in 2013-2014 has been stable. Of female staff, 7% have been with the Company more than 10 years; 14% between 7 and 9 years; 30% between 4 and 6 years; and the remaining less than 3 years.

In order to assess and measure objectives for achieving diversity across the organisation, the Board has established the following commitments which are embedded within the Company's Diversity Policy:

- To recruit and retain people on the basis of their ability and performance regardless of factors such as age, cultural, ethnic or religious background, gender, nationality, physical ability or race.
- Never to accept any type of unlawful bullying, discrimination, harassment, victimisation or vilification anywhere in the AWE group.
- While retaining a merit based culture for all staff across the organisation, a key focus is to seek and support, where possible, greater gender diversification in AWE operations and management.
- To support staff in their professional development; with work-life balance and with their career progression within the organisation.
- At least annually, to review pay equity to address any anomalies and any gender gaps.
- To undertake and monitor diversity initiatives and measure their effectiveness at least annually.
- To review the Diversity Policy regularly and update it as required.

The Diversity Policy is available on AWE's website in the Corporate Governance section.

The measureable gender diversity objectives set by the board for 2014 are outlined below together with a report on progress towards achieving these objectives:

Objectives for 2014	Initiatives	Progress in achieving the objective
Increase the percentage of female directorship on the board over the next three years.	Female candidates to be actively considered for any director vacancies that may arise.	Achieved in 2014.
A medium term goal (3-5 years) is to be equal to, or better than, AWE's peer group with respect to its gender diversity mix across the organisation.	A comparison of current gender split between AWE and its peers shows that AWE is ranked in the upper 50th percentile.	Achieved in 2013 and ongoing.
Increase the number of female senior managers within its organisation through appropriate succession planning and recruitment.	Female staff continue to be represented at all levels within the Company. Several new Senior Technical & Professional and also Technical & Professional positions were filled by women during the last financial year including: • HSEQ Manager (Sydney) • Taxation Manager (Sydney) • Reservoir Engineer (Perth) • Geophysicist (Sydney) • Senior Financial Accountant (Sydney)	Achieved in 2014 and ongoing.
Increase the number of female graduates joining the Company in the engineering and G & G disciplines.	To raise awareness of the industry. AWE is the premier sponsor of UNSW Engineering Society and is the silver sponsor of the UNSW Geoscience Faculty.	Ongoing consideration of prospective female graduates as and when a vacancy arises.
Support further education opportunities for employees, including women, in support of their career progression to more senior positions.	A female employee, who first joined the Company as a Graduate Accountant before being promoted to Corporate Accountant is being sponsored to undertake her professional qualifications to become a Chartered Accountant through the Institute of Chartered Accountants Australia and New Zealand. AWE has launched its first Women in Leadership program with 12 female staff participating in its inaugural year.	Achieved and ongoing,

Roll out Discrimination, Harassment and Bullying Policy that will include affirmative action to promote diversity and equal opportunity for women within the organisation.	Target training for all staff members.	Achieved and ongoing
Increase the average length of service of women in the workplace and track their retention.	Through retention, increase length of service of women in the workplace at AWE.	Retention levels for female staff have been stable with 41% of the female staff having been with the Company for over 5 years.

It should be noted that diversity refers to other factors beyond gender and the Company is proud of its achievements in other areas of diversity. The Company's Diversity Policy includes a commitment to recruit and retain people regardless of factors such as age, cultural, ethnic or religious background, gender, nationality, physical ability or race. Further information on the Company's progress towards achieving an appropriate diversity mix will be provided in the Company's Sustainability Report.

ASX Principle 4 - Safeguard integrity in financial reporting

The Board is committed to ensuring that the Company's financial reports present a true and fair view of the Company's financial position that comply with relevant accounting standards.

It is the responsibility of the Audit and Governance Committee to assist the Board in discharging its responsibilities for financial reporting and to ensure that appropriate internal controls are in place. For full details on the roles and responsibilities of the Audit and Governance Committee and the processes in place for safeguarding the integrity of the financial reporting processes please refer to commentary on the Audit and Governance Committee in Principle 2 above.

Further, during the current period the Company developed and implemented an internal audit plan, employing both internal and external resources, to provide assurance in relation to the effectiveness of internal controls, risk management procedures and governance. Internal audit plans are to be approved annually by the Audit and Governance Committee.

ASX Principle 5 - Make timely and balanced disclosure

The Board is committed to the promotion of investor confidence in the Company by ensuring that trading in the Company's securities takes place in a fully informed and efficient market. The Company has in place policies and procedures that are designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance. This disclosure policy includes processes for the identification of matters that may have a material effect on the price of the Company's securities, notifying such matters to the ASX on a timely basis and posting these ASX releases immediately on the Company's website.

Briefings with investors and analysts are held regularly and processes are in place to ensure that any price sensitive information included in such presentations is first made available to the market. The Company maintains a summary for internal use of issues discussed at briefings with investors and analysts, including a record of those present and the time and place of the meeting.

The Company has in place a formal Disclosure Policy which contains detailed processes for ensuring compliance with ASX continuous disclosure and periodic disclosure requirements.

ASX Principle 6 - Respect the rights of shareholders

Shareholder communications
The Board aims to ensure that shareholders and investors have equal access to the Company's information.

The Company also has a strategy to promote effective communication with shareholders and encourage effective participation at general meetings through a policy of open disclosure to shareholders, regulatory authorities and the broader community of all material information with respect to the Company's affairs including, but not limited to:

- conflicts of interest and related party transactions;
- executive remuneration;
- grant of and share rights;
- external directorships;
- process for performance evaluation of the Board, its committees, and senior executives;
- the link between remuneration paid to the Managing Director and senior executives and corporate performance; and
- shorter, more comprehensible notices of meetings.

The following information is communicated to shareholders:

- the Annual Report and notices of meetings of shareholders including the ability to receive notices of meetings and to lodge proxy votes electronically;
- for those shareholders not electing to be mailed a copy of the Annual Report, a copy can be viewed on the Company's website;
- shareholders are given the opportunity to ask questions of the Board, management or the auditor electronically prior to the Annual General Meeting;
- all documents that are released to the ASX are made immediately available on the Company's website and via the website, shareholders may elect to receive notification of all ASX releases;
- the Company webcasts key events such as profit results and Annual General Meetings;
- all relevant shareholder information is made available on the Company's website including past ASX releases, annual reports, quarterly reports, investor presentations and information on the Company's operational activities; and
- all operational information on the Company's website is updated at least quarterly.

Further, all the material policies adopted by the Company are available in the Corporate Governance section of the Company's website.

ASX Principle 7 – Recognise and manage risk

Risk management
AWE recognises the need to proactively manage the risks and opportunities associated with both day-to-day operations of the organisation and its longer term strategic objectives. AWE seeks to achieve the following through its risk management framework:

- Risks are well understood and managed proactively by those in the organisation best able to deal with them.
- Staff are actively involved in risk management activities. Time is taken to discuss and explore risk issues with colleagues that may not otherwise be addressed as part of day-to-day management.
- Risk reporting provides insight, accountability, and a trigger for escalation of significant risk issues.
- Consistent use of language and risk scales across the organisation enables prioritisation and comparison of risks arising from different functional areas.
- The organisation constantly strives to achieve effective risk management best practice through adherence to risk management standards, while retaining an adaptive approach that evolves to meet the needs of the organisation.

While every person in the organisation has responsibility for managing risk effectively, there are specific responsibilities for providing oversight to ensure that risks are being managed appropriately as follows:

- The Board and delegated Board committees are responsible for oversight of risk management activities within AWE. On an annual basis the Board also undertakes a full review of the material business risks facing the organisation.
- The Company's Senior Executive Committee is responsible for reviewing summarised risk registers and preparing consolidated risk reports of significant risk issues arising for inclusion in papers submitted to the Board and relevant Board Committees.
- Managers are responsible for ensuring that each functional area they oversee has identified, assessed and are proactively managing risks appropriately. Each functional area must maintain a live risk register for documenting the results of this risk management process.

The Board has identified the following major sources of material business risks for the organisation:

Risk category	Overseen by	Type of impact
Strategic	AWE Board	Financial Reputational
Operational	Sustainability Committee	Safety Environmental Financial Reputational
Corporate and Governance	Audit and Governance Committee	Financial Reputational
External	Board oversight but generally assumed shareholders accept these risks	Financial Reputational

The organisation's approach to risk management aligns with the AS/NZS ISO 31000 Risk Management Principles and Guidelines. For more information on how the Company implements risk management, please refer to the Risk Policy which can be found on AWE's website. This policy was revised in October 2013.

The Managing Director and the Chief Financial Officer have declared in writing to the Board that financial reporting risk management and associated compliance and controls have been assessed and found to be operating effectively in all material respects in relation to financial reporting risks and such other risks as specified by the Board. This representation is made by the Managing Director and Chief Financial Officer prior to the directors' approval of the release of the annual and half-yearly accounts. This representation is made after enquiry of, and representation by, appropriate levels of management.

Sustainability and environment
The Board and management are committed to developing and building a sustainable business, ensuring that the Company is an active and responsible member of the communities in which we operate. Employees and contractors are encouraged to personally support and implement the sustainability initiatives being pursued by the Company and to contribute to identifying opportunities to further improve our performance.

Based on the Company's public disclosure materials for the June 2013 financial reporting year, the Australian Council of Superannuation Investors has rated the Company's disclosure of environmental, social and corporate governance risks as "Comprehensive", the highest level achievable.

The Company's commitment to sustainability is more fully detailed in the June 2014 Sustainability Report.

Reserves reporting
The Company has formed a Reserves Committee reporting to the Managing Director with the role of monitoring:

- The integrity of the reporting of the Company's oil and gas reserves and resources ("reserves");
- Compliance by the Company with legal and regulatory requirements with respect to reserves, especially in respect to revised ASX rules effective December 2013;
- The discharge of the Company's responsibilities with respect to annual and interim reviews of the Company's reserves; and
- The Company's procedures with respect to the engagement of independent reserves evaluators.

ASX Principle 8 – Remunerate fairly and responsibly

The Company is committed to adopting remuneration practices that:

- Align the interests of employees and shareholders;
- Attract and retain suitably qualified employees; and
- Motivate employees to achieve superior performance.

It is the responsibility of the People Committee to assist the Board in achieving these objectives. For full details on the roles and responsibilities of the People Committee and the Company's remuneration practices please refer to the commentary on the People Committee in Principle 2 above and to the Company's June 2014 Remuneration Report.

ASX Corporate governance principle and recommendations

The table below identifies the Corporate Governance Principles and Recommendations (2nd Edition) and whether or not the Company has complied with the recommendations during the reporting period:

		Complied	Note
1.1	Establish the functions reserved to the board and those delegated to senior management and disclose those functions	✓	
1.2	Disclose the process for evaluating the performance of senior executives	✓	
1.3	Provide the information indicated in Guide to Reporting on Principle 1	✓	
2.1	A majority of the board should be independent directors	✓	
2.2	The chair should be an independent director	✓	
2.3	The roles of chair and chief executive officer should not be exercised by the same individual	✓	
2.4	The board should establish a nomination committee	✓	-1-
2.5	Disclose the process for evaluating the performance of the board, its committees and individual directors	✓	
2.6	Provide the information indicated in Guide to Reporting on Principle 2	✓	
3.1	Establish a code of conduct and disclose the code or a summary of the code as to: • the practices necessary to maintain confidence in the Company's integrity the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices	✓	
3.2	Establish a policy concerning diversity and disclose or a summary of that policy which should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them	✓	
3.3	Disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them	✓	
3.4	Disclose in each annual report the proportion of women employees in the whole organisation, in senior executive positions and on the board	✓	
3.5	Provide the information indicated in Guide to Reporting on Principle 3	✓	
4.1	The board should establish an audit committee	✓	
4.2	Structure the audit committee so that it consists of: • only non-executive directors • a majority of independent directors • an independent chair, who is not chair of the board • at least three members	✓	
4.3	The audit committee should have a formal charter	✓	
4.4	Provide the information indicated in Guide to Reporting on Principle 4	✓	
5.1	Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies	✓	
5.2	Provide the information indicated in Guide to Reporting on Principle 5	✓	
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy	✓	
6.2	Provide the information indicated in Guide to Reporting on Principle 6	✓	
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies	✓	
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks	✓	
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in relation to financial reporting risks	✓	
7.4	Provide the information indicated in Guide to Reporting on Principle 7	✓	
8.1	The board should establish a remuneration committee	✓	
8.2	The remuneration committee should be structured so that it: • consists of a majority of independent directors • is chaired by an independent chair • has at least three members	✓	
8.3	Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives	✓	
8.4	Provide the information indicated in Guide to Reporting on Principle 8	✓	

Note 1: The Board of Directors of the Company does not have a nomination committee. The Board is of the opinion that due to the relatively small size of the Company's Board and the specialised nature of the upstream oil and gas industry it is appropriate that the functions performed by a nomination committee be handled by the full Board.

Consolidated income statement

For the year ended 30 June 2014

	Note	30 June 2014 $'000	30 June 2013 $'000
Revenue	2	**329,291**	301,774
Cost of sales	3	**(237,015)**	(220,862)
Gross profit		**92,276**	80,912
Other income	4	**97,609**	2,930
Exploration and evaluation expenses	15	**(39,806)**	(9,735)
Fair value adjustment on held for sale assets	14	**(12,438)**	-
Other expenses	5	**(31,128)**	(13,256)
Results from operating activities		**106,513**	60,851
Finance income		**515**	912
Finance costs		**(10,605)**	(10,332)
Net finance costs	6	**(10,090)**	(9,420)
Profit before tax		**96,423**	51,431
Income tax expense	7	**(21,228)**	(14,913)
Royalty related taxation expense	7	**(12,695)**	(16,481)
Profit for the year		**62,500**	20,037
Profit attributable to members of the Company		**62,500**	20,037

	Note	Cents	Cents
Basic earnings per ordinary share (cents)	8	**11.96**	3.84
Diluted earnings per ordinary share (cents)	8	**11.73**	3.79

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 year ended 30 June 2014

	30 June 2014 $'000	30 June 2013 $'000
Profit for the year	**62,500**	20,037
Items that may be reclassified subsequently to profit and loss		
Foreign currency translation differences for foreign operations	**(12,089)**	11,776
Income tax relating to other comprehensive income	**-**	-
Other comprehensive (loss) / income (net of income tax)	**(12,089)**	11,776
Total comprehensive income for the year	**50,411**	31,813
Total comprehensive income attributable to owners of the company	**50,411**	31,813

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 30 June 2014

	Note	30 June 2014 $'000	30 June 2013 $'000
Current assets			
Cash and cash equivalents	11	**42,144**	41,131
Trade and other receivables	12	**33,101**	57,023
Inventory	13	**18,747**	5,227
Held for sale assets	14	**84,301**	-
Total current assets		**178,293**	103,381
Non-current assets			
Trade and other receivables	12	**88,003**	10,675
Exploration and evaluation assets	15	**109,284**	111,034
Oil and gas assets	16	**802,054**	926,782
Other plant and equipment	17	**1,601**	1,611
Intangible assets	18	**348**	52
Deferred tax assets	24	**22,960**	27,974
Total non-current assets		**1,024,250**	1,078,128
Total assets		**1,202,543**	1,181,509
Current liabilities			
Trade and other payables	19	**90,904**	48,712
Employee benefits	21	**2,331**	3,957
Liabilities associated with assets held for sale	14	**11,702**	-
Provisions	22	**17,127**	20,169
Taxation payable	23	**(209)**	18,337
Total current liabilities		**121,855**	91,175
Non-current liabilities			
Interest bearing liabilities	20	**-**	77,834
Employee benefits	21	**614**	346
Provisions	22	**138,899**	123,183
Total non-current liabilities		**139,513**	201,363
Total liabilities		**261,368**	292,538
Net assets		**941,175**	888,971
Equity			
Issued capital	25	**772,172**	772,172
Reserves		**12,549**	22,845
Retained profits		**156,454**	93,954
Total equity		**941,175**	888,971

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 year ended 30 June 2014

	Note	30 June 2014 $'000	30 June 2013 $'000
Cash flows from operating activities			
Cash receipts in the course of operations		**375,558**	311,153
Cash payments in the course of operations		**(176,303)**	(147,366)
Payments for exploration and evaluation expenses		**(30,583)**	(12,039)
Interest received		**530**	939
Borrowing costs paid		**(7,711)**	(6,502)
Income tax received/(paid)		**(6,157)**	(9,160)
Royalty related taxation paid		**(31,648)**	(18,835)
Net cash provided by operating activities	29	**123,686**	118,190
Cash flows from investing activities			
Exploration and evaluation assets initially capitalised		**(9,754)**	(22,947)
Oil and gas assets		**(130,200)**	(151,867)
Other plant and equipment and intangibles		**(1,168)**	(1,080)
Payments for investments		**(7,184)**	-
Net proceeds from sale of oil and gas assets		**86,751**	-
Deposit received in relation to proposed sale of oil and gas assets		**16,000**	-
Proceeds from sale of plant and equipment		**-**	114
Net cash used in investing activities		**(45,555)**	(175,780)
Cash flows from financing activities			
Proceeds from borrowings		**5,000**	85,200
Repayment of borrowings		**(82,834)**	(28,926)
Net cash provided/(used in) by financing activities		**(77,834)**	56,274
Net decrease in cash held		**297**	(1,316)
Cash at the beginning of the year		**41,131**	42,759
Effect of exchange rate fluctuations on the balances of cash held in foreign currencies	31	**716**	(312)
Cash at the end of the year	11	**42,144**	41,131

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 year ended 30 June 2014

	Share capital	Equity compensation reserve	Translation reserve	Retained earnings	Total Equity
	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2012	772,172	11,167	(2,234)	73,917	855,022
Profit for the year ended 30 June 2013	-	-	-	20,037	20,037
Other comprehensive income					
Foreign currency translation differences for foreign operations	-	-	11,776	-	11,776
Total other comprehensive income	-	-	11,776	-	11,776
Total comprehensive income for the year	-	-	11,776	20,037	31,813
Transactions with owners in their capacity as owners					
Share Rights Plan	-	2,136	-	-	2,136
Balance at 30 June 2013	**772,172**	**13,303**	**9,542**	**93,954**	**888,971**
Profit for the year ended 30 June 2014	**-**	**-**	**-**	**62,500**	**62,500**
Other comprehensive income					
Foreign currency translation differences for foreign operations	**-**	**-**	**(12,089)**	**-**	**(12,089)**
Total other comprehensive income	**-**	**-**	**(12,089)**	**-**	**(12,089)**
Total comprehensive income for the year	**-**	**-**	**(12,089)**	**62,500**	**50,411**
Transactions with owners in their capacity as owners					
Share Rights Plan	**-**	**1,793**	**-**	**-**	**1,793**
Balance at 30 June 2014	**772,172**	**15,096**	**(2,547)**	**156,454**	**941,175**

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

Notes to the consolidated financial statements

1. Statement of significant accounting policies

AWE Limited (the "Company") is a for profit company domiciled in Australia. The consolidated financial statements of the Company for the financial year ended 30 June 2014 comprises the Company and its controlled entities (together referred to as the "consolidated entity").

(a) Basis of preparation

(i) Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards ("AASBs") (including Australian Interpretations) adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. The consolidated financial statements also comply with IFRSs and interpretations issued but not yet adopted by the International Accounting Standards Board.

The accounting policies set out in this note have been applied consistently to all periods presented in these consolidated financial statements. Certain comparative amounts have been reclassified to conform with the current year's presentation.

The consolidated financial statements were authorised for issue by the directors on 26 August 2014.

(ii) Functional and presentation currency

The financial statements are presented in Australian Dollars, which is the Company's functional currency and the functional currency of the majority of controlled entities within the consolidated entity.

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission ("ASIC"), relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(iii) Basis of measurement

The financial statements are prepared on the historical cost basis except that derivative financial instruments and available for sale financial assets are stated at their fair value.

(iv) Use of estimates and judgements

The preparation of financial statements in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on a regular basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The most significant estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year relate to:

Exploration and evaluation assets

The consolidated entity's accounting policy for exploration and evaluation expenditure is set out at Note 1 (l). The application of this policy necessarily requires management to make certain estimates and assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of reserves have been found. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under this policy, management concludes that the capitalised expenditure is unlikely to be recovered by future exploitation or sale, then the relevant capitalised amount will be written off to the income statement. Changes in assumptions may result in a material adjustment to the carrying amount of exploration and evaluation assets.

Restoration obligations

The consolidated entity estimates the future removal costs of production facilities and wells at the time of installation of the assets. In most instances, removal of assets occurs many years into the future. This requires judgemental assumptions regarding removal date, future environmental legislation, the extent of reclamation activities required, the engineering methodology for estimating cost, future removal technologies in determining the removal cost, and asset specific discount rates to determine the present value of these cash flows. The consolidated entity's accounting policy for restoration obligations is set out at Note 1(r).

Reserve estimates

Estimates of recoverable quantities of proven and probable reserves reported include assumptions regarding commodity prices, exchange rates, discount rates, production and transportation costs for future cash flows. It also requires interpretation of geological and geophysical models in order to make an assessment of the size, shape, depth and quality of reservoirs and their anticipated recoveries. The economic, geological and technical factors used to estimate reserves may change from period to period. Changes in reported reserves can impact asset carrying values, the provision for restoration and the recognition of deferred tax assets, due to changes in expected future cash flows. Reserves are integral to the calculation of depreciation and amortisation charged to the income statement.

Impairment of oil and gas assets

The consolidated entity assesses whether oil and gas assets are impaired when preparing its annual and interim financial statements. Estimates of the recoverable amount of oil and gas assets are made based on the present value of future cash flows.

Income taxes

The consolidated entity is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the worldwide provision for income taxes. There are certain transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity estimates its tax liabilities based on the application of the relevant tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity investments at the date on which they are granted.

(v) New and amended standards and interpretations

The following standards and interpretations which became effective and were applied for the first time during the year ended 30 June 2014 were assessed to have no material impact on the Company:

AASB 10	Consolidated Financial statements
AASB 11	Joint Arrangements
AASB 12	Disclosure of Interests in Other Entities
AASB 13	Fair value Measurement
AASB 119	Employee Benefits

AASB 2012–2	Amendments to Australian Accounting Standards – Disclosures - Offsetting Financial Assets and Financial Liabilities
AASB 2012–5	Amendments to Australian Accounting Standards Arising from Annual Improvements 2009 – 2011 Cycle
AASB 2012–9	Amendments to Australian Accounting Standards Arising from the withdrawal of Australian Interpretation 1039
AASB 2011-4	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements
AASB1053	Application of tiers of Australian Accounting Standards

The following recently issued standards and interpretations which are not yet effective and have not been applied by the Company, have been assessed to have no material impact on the Company:

AASB 2102–3	Amendments to Australian Accounting standards – Offsetting Financial Assets and Financial Liabilities
Interpretation 21	Levies
AASB 9	Financial Instruments
AASB 2013-3	Amendments to AASB136 – Recoverable Amount disclosures for Non-Financial Assets
AASB 2013-4	Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting (AAS139)
AASB 2013-5	Amendments to Australian Accounting Standards – Investment Entities Annual Improvements
2011-2013 Cycle	Annual Improvements to IFRSs 2011-2013 Cycle
AASB1031	Materiality
AASB 2013-9	Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments

(b) Basis of consolidation

(i) Controlled entities

Controlled entities are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of controlled entities are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

(ii) Jointly controlled operations and assets

The interests of the Company and of the consolidated entity in unincorporated joint ventures and jointly controlled assets are brought to account by recognising in the financial statements the proportionate share of the assets they control, the liabilities and expenses they incur, and their share of the income that they earn from the sale of goods or services by the joint venture.

(iii) Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

(iv) Changes in ownership interests

The consolidated entity treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the consolidated entity. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of AWE Limited.

When the consolidated entity ceases to have control, joint control or significant influence, any retained interest in the entity is adjusted to fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the consolidated entity had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the income statement.

If the ownership interest in a jointly-controlled entity or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to the income statement where appropriate.

(c) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the consolidated entity. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the consolidated entity recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of total consideration transferred over the fair value of the consolidated entity's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in the income statement. Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

(d) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the dates the fair value was determined.

(ii) Financial statements of foreign operations
The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Australian dollars at foreign exchange rates at the end of the reporting period. The revenues and expenses of foreign operations are translated to Australian dollars at rates approximating the foreign exchange rates at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised directly in a separate component of equity.

(iii) Presentation of foreign exchange gains and losses in the income statement
The consolidated entity presents its foreign exchange gains and losses within net financing income/expense in the income statement.

(e) Impairment
The carrying amounts of the Company's and the consolidated entity's assets, other than inventories (refer note 1(h)) and deferred tax assets (refer note 1(u)), are reviewed at the end of the reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Calculation of recoverable amount
The recoverable amount of an asset is the greater of its fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment
An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(f) Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the consolidated entity's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(g) Trade and other receivables
Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement between 14 and 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

(h) Inventory
Oil inventory is recorded at the lower of cost and net realisable value. Cost is determined on an average basis and includes production costs and amortisation of producing oil and gas assets.

Other inventories are recorded at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

(i) Investments and other financial assets
(i) Classification
The consolidated entity classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

Financial assets at fair value through profit or loss
A financial asset is classified as fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

(ii) Subsequent measurement
Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in profit or loss within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss as part of revenue from continuing operations when the consolidated entity's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

Details on how the fair value of financial instruments is determined are disclosed in note 31.

(iii) Impairment

The consolidated entity assesses at the end of each reporting period whether there is objective evidence that a financial asset is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement - is reclassified from equity and recognised in the income statement as a reclassification adjustment. Impairment losses recognised in profit or loss on equity instruments classified as available-for-sale are not reversed through the income statement.

If there is evidence of impairment for any of the consolidated entity's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at an appropriate rate. The loss is recognised in the income statement.

(j) Asset held for sale

The Company classifies non-current assets as held for sale if the carrying amounts will be recovered principally through a sale rather than through continuing use. Such assets are measured at the lower of their carrying value and fair value less costs to sell. The criteria for held for sale classification is regarded as met when the sale is highly probable and the asset or disposal group is available for immediate sale and management must be sufficiently committed to the sale such that it will occur within 1 year.

(k) Property, plant and equipment

(i) Oil and gas assets

The cost of oil and gas producing assets and capitalised expenditure on oil and gas assets under development are accounted for separately and are stated at cost less accumulated depreciation and impairment losses. Costs include expenditure that is directly attributable to the acquisition or construction of the item as well as past exploration and evaluation costs. In addition, costs include:

(i) the initial estimate at the time of installation and during the period of use, when relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and

(ii) changes in the measurement of existing liabilities recognised for these costs resulting from changes in the timing or outflow of resources required to settle the obligation or from changes in the discount rate.

When an oil and gas asset commences production, costs carried forward will be amortised on a units of production basis over the life of the economically recoverable reserves. Changes in factors such as estimates of economically recoverable reserves that affect amortisation calculations do not give rise to prior financial period adjustments and are dealt with on a prospective basis.

Expenditure on major maintenance refits or overhauls comprises the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Where an asset or part of an asset that was separately depreciated and is now written off is replaced and it is probable that future economic benefits associated will result, the expenditure is capitalised. Where part of the asset was not separately considered as a component, the replacement value is used to estimate the carrying amount of the replaced assets which is immediately written off. All other maintenance costs are expensed as incurred.

(ii) Other plant and equipment

The cost of other plant and equipment is stated at cost less accumulated depreciation and impairment losses. Costs include:

(i) the initial estimate at the time of installation and during the period of use, when relevant, of the costs of dismantling and removing the items, and

(ii) changes in the measurement of existing liabilities recognised for these costs resulting from changes in the timing or outflow of resources required to settle the obligation or from changes in the discount rate.

Other plant and equipment is depreciated using the straight line method over its estimated useful life. The depreciation rates used for other plant and equipment are in the range 5% to 27% (2013: 5% to 27%).

(l) Exploration and evaluation

Exploration and evaluation costs are accumulated in respect of each separate area of interest and are accounted for using the successful efforts method of accounting. An area of interest is usually represented by an individual oil or gas field.

The cost of acquisition of joint venture interests, successful drilling costs and costs incurred in relation to feasibility studies and the technical evaluation of a potential development are carried forward where right to tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest, or where the assessment to determine the existence of economically recoverable reserves for a potential development in an area of interest is not yet complete. Exploration and evaluation assets are reviewed for impairment indicators annually. When an indicator is identified, assessment is performed for each area of interest to which the exploration and evaluation expenditure is attributed. To the extent that capitalised expenditure is not expected to be recovered it is charged to the income statement.

All other exploration and evaluation costs, including pre-licence costs are expensed as incurred.

(m) Capitalised borrowing costs

Borrowing costs relating to oil and gas assets under development up to the date of commencement of operations are capitalised as a cost of the development. Where funds are borrowed specifically for qualifying projects the actual borrowing costs incurred are capitalised. Where the projects are funded through general borrowings the borrowing costs are capitalised based on the weighted average borrowing rate. Other borrowing costs are expensed.

(n) Intangible assets

The costs of computer software and loan establishment fees are stated at cost less accumulated depreciation. Amortisation on computer software is calculated on a straight-line basis over 2.5 years. Amortisation on loan establishment fees is calculated on a straight-line basis over the life of the loan.

(o) Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 14 days of recognition.

(p) Interest-bearing borrowings

Interest-bearing borrowings are recognised at fair value.

Fees paid on the establishment of loan facilities are treated as a prepayment and are recognised as such to the extent that it is probable that the facility will be drawn down. These fees are recognised as transaction costs relating to the loan and are amortised over the period of the facility.

(q) Employee benefits

(i) Wages, salaries and annual leave

The provisions for employee entitlements to wages, salaries and annual leave represents the amount which the consolidated entity has a present obligation to pay resulting from employees' services provided up to the end of each reporting period. The provisions have been calculated at undiscounted amounts based on wage and salary rates that the consolidated entity expects to pay and include related on-costs.

(ii) Long-term service benefits

Long service leave represents the present value of the estimated future cash outflows to be made resulting from an employee's services provided to the end of each reporting period. The provision is calculated using estimated future increases in wage and salary rates including related on-costs and expected settlement dates based on turnover history and is discounted using the rates attaching to national government securities at balance date which most closely match the terms of maturity of the related liabilities.

(iii) Share-based payment transactions

Share-based compensation benefits are provided to employees via the long-term Employee Share Rights Plan. Information relating to these schemes is set out in the remuneration report as well note 21 of this report.

The fair value of the rights granted is measured using the Black-Scholes Option Pricing model. In valuing the equity settled transactions no account is taken of any performance conditions other than conditions linked to market performance. The fair value of rights granted is recognised as an employee expense with a corresponding increase in equity or to the extent the share rights are expected to be cash settled, with a corresponding increase in liabilities. The Board has discretion regarding the settlement of share rights into either AWE shares or cash.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of rights and options that are expected to vest based on the non-market and service related vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

(iv) Superannuation plans

Obligations for contributions to accumulation type superannuation plans are recognised as an expense in the income statement as incurred.

(r) Provisions

A provision is recognised in the statement of financial position when the consolidated entity has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Site restoration

Provisions made for decommissioning, restoration and environmental rehabilitation are recognised where there is a present obligation as a result of exploration, development or production activities having been undertaken, and it is probable that an outflow of economic benefits will be required to settle the obligation. The estimated future obligations include the costs of removing facilities, abandoning wells and restoring the affected areas. The provision for future restoration costs is the best estimate of the present value of the expenditure required to settle the obligation at the end of each reporting period, based on current legal requirements and technology. The ultimate costs are uncertain and cost estimates can vary in response to many factors including changes to relevant legal requirements, the emergence of new techniques or experience at other production sites. Future restoration costs are reviewed annually and any changes are reflected in the present value of the restoration provision at the end of the reporting period. The amount of the provision for future restoration costs relating to exploration and development activities is capitalised as a cost of those activities. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money, and where appropriate the risks specific to the liability. The unwinding of discounting on the provision is recognised as a finance cost.

(s) Revenue recognition

(i) Sales revenue

Revenue from the sale of oil and gas is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. Revenue received during the commissioning phase of oil and gas assets is recorded, together with the related costs of production, against the capitalised carrying value of the asset.

Revenues received under take or pay sales contracts in respect of undelivered volumes are accounted for as deferred revenue.

(ii) Other revenues

Other revenues are recognised on an accrual basis and include royalty receipts and equipment rental income.

(t) Leased assets

Leases of property, plant and equipment where the consolidated entity, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the consolidated entity as lessee are classified as operating leases and are not recognised on the consolidated entity's statement of financial position. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(u) Taxation

(i) Income tax

Income tax on the income statement comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in controlled entities to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

(ii) Petroleum Resource Rent Tax ("PRRT") and other government royalties

In addition to corporate income taxes, the consolidated financial statements also include and disclose certain taxes determined from oil and gas production and levied on net income.

Resource rent taxes and government royalties are treated as taxation arrangements when they are imposed under Government authority and when the calculation of the amount payable falls within the definition of “taxable profit” for the purposes of AASB 112. Current and deferred tax is then provided on the same basis as described in (i) above.

Royalty arrangements that do not meet the criteria for treatment as a tax are recognised on an accruals basis.

The Australian Government enacted legislation to extend the PRRT regime to all onshore oil and gas projects, from 1 July 2012. PRRT is applied to onshore and offshore oil and gas projects at a rate of 40%. State petroleum royalties will continue to apply to projects within state jurisdictions; however these royalties are fully creditable against PRRT liabilities. The extended PRRT applies to AWE's onshore Perth basin operations.

Disclosures in relation to PRRT for the year ended 30 June 2014 in the consolidated financial statements are in relation to both onshore and offshore oil and gas projects.

(iii) Tax consolidation

The Company and its wholly-owned Australian resident entities have formed a tax consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is AWE Limited.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using a modified stand-alone tax allocation methodology.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the controlled entities are assumed by the head entity in the tax-consolidated group and are recognised as amounts payable (receivable) to (from) other entities in the tax-consolidated group in conjunction with any tax funding arrangements.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised. Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head company only.

(iv) Nature of tax funding and tax sharing arrangements

The head entity, in conjunction with other members of the tax-consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability (asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable (payable) equal in amount to the tax liability (asset) assumed. The inter-entity receivable (payable) is at call.

(v) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (“GST”), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the Australian Taxation Office (“ATO”) is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(w) Australian Government's carbon pricing mechanism

The Australian Government's Clean Energy Act (CEA) was enacted during the 2012 financial year leading to a potential obligation, from the 2013 financial year, to acquire and surrender eligible emission units in respect of the covered emissions from operated and non-operated facilities under AWE's existing joint venture arrangements (or be liable to unit shortfall charges). The net cash flows arising from liabilities arising under the CEA have been included in operating costs and expected future net cash flows in the estimated recoverable amount for assets when assessing their carrying values; however the impact on the recoverable amount is not material.

Subsequent to year-end this legislation was repealed effective from 1 July 2014.

(x) Segment reporting

An operating segment is a component of the consolidated entity that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the consolidated entity's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the chief operating decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment assets include both oil and gas assets, exploration assets and other assets, such as cash, receivables and inventory, which are directly attributable to the segment.

Unallocated items comprise mainly head office income and expenses, foreign exchange gains and losses and corporate assets.

(y) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares, share rights or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares, share rights or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If the entity reacquires its own equity instruments, for example, as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

(z) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

(aa) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

	2014 $'000	2013 $'000

2. Revenue

	2014 $'000	2013 $'000
Sales revenue - oil and gas	**328,250**	300,509
Other revenue from continuing operations	**1,041**	1,265
	329,291	301,774

3. Cost of sales

	2014 $'000	2013 $'000
Production costs	**105,307**	98,807
Royalties	**20,137**	15,948
Amortisation	**125,378**	103,838
Movement in oil inventory:		
Production costs	**(6,004)**	1,087
Amortisation	**(7,803)**	1,182
	237,015	220,862
Made up of:		
Production costs (net of movement in oil inventory)	**99,303**	99,894
Royalties	**20,137**	15,948
Amortisation (net of movement in oil inventory)	**117,575**	105,020
	237,015	220,862

4. Other income

	2014 $'000	2013 $'000
Net gain on disposal of 50% of the Northwest Natuna PSC	**96,683**	-
Other income	**926**	2,930
	97,609	2,930

On the 22nd of November 2013 AWE completed the sale of a 50% participating interest in the Northwest Natuna PSC to a subsidiary of Santos Limited for USD$188 million which comprised an upfront cash consideration of USD$100 million and deferred consideration of USD$88 million through a capital expenditure carry. Included within the $86.5 million non-current trade and other receivables balance is an amount of $79.8 million in respect of the capital expenditure carry reflecting its fair value. The sale generated a profit after tax of $75.5 million (pre-tax profit $96.7 million, taxation expense $21.2 million).

5. Other expenses

	2014 $'000	2013 $'000
General and administrative expenses	**17,794**	10,703
Share-based payments	**2,549**	2,553
Restoration expense non-producing fields	**3,645**	-
Business development and other project costs	**2,868**	-
Restructuring costs	**4,272**	-
	31,128	13,256

6. Net financing (expense)/income

	2014 $'000	2013 $'000
Interest income	**515**	912
Borrowing costs	**(7,378)**	(7,810)
Unwinding of discount – restoration provisions (refer note 22)	**(2,189)**	(2,155)
Adjustment of discount - capital expenditure carry	**(460)**	-
Net foreign exchange gain/(loss)	**(578)**	(367)
Finance costs	**(10,605)**	(10,332)
Net finance expense	**(10,090)**	(9,420)

7. Taxation expense

	2014 $'000	2013 $'000
Recognised in income statement		
Tax expense comprises:		
Income tax		
Current tax expense	**(11,851)**	(8,215)
Adjustments from prior years	**714**	2,126
Tax expense related to movements in deferred tax balances	**(10,091)**	(8,824)
	(21,228)	(14,913)
PRRT / APR[1]		
Current tax expense	**(19,477)**	(19,427)
Tax benefit related to movements in deferred tax balances	**6,782**	2,946
	(12,695)	(16,481)
Tax expense reported in the consolidated income statement	**(33,923)**	(31,394)
Numerical reconciliation between loss before tax and tax (expense)/benefit:		
Profit/(loss) before tax	**96,423**	51,431
Prima facie taxation expense at 30% (2013: 30%)	**(28,927)**	(15,429)
(Increase)/decrease in income tax expense due to:		
Differences in tax rates	**12,053**	-
Non-deductible expenses	**(7,044)**	(1,459)
Overseas tax losses not recognised as a deferred tax asset	**(2,619)**	(740)
Derecognition of tax losses	**-**	(4,276)
Foreign exchange and other translation adjustments	**(1,229)**	(562)
Other	**5,823**	5,427
Adjustments for prior years	**715**	2,126
Income tax expense	**(21,228)**	(14,913)
PRRT[1]	**(10,178)**	(5,453)
APR[1]	**(2,517)**	(11,028)
Total royalty-related tax expense	**(12,695)**	(16,481)
Total tax expense	**(33,923)**	(31,394)

For information in relation to taxation payments made during the financial year refer to the Consolidated Statement of Cash Flows. For further information in relation to tax payable and deferred tax assets and liabilities refer to note 24.

(1) As a producer of oil and gas in Australian and New Zealand offshore waters, the consolidated entity is subject to, in addition to income tax, additional government imposts in the form of PRRT in Australia and APR in New Zealand. PRRT is levied on Australian offshore oil and gas production operations and from 1 July 2012 to onshore operation at a rate of 40% of project profits after allowing for the recoupment of past deductible project costs and after appropriate compounding of these past costs. Further, subject to the satisfaction of certain tests, exploration costs incurred by the consolidated entity in Australia can be transferred to PRRT payable projects thereby having the effect of reducing or deferring the actual liability to pay PRRT. Similarly, APR is levied on the Tui production operation in New Zealand at a rate of 20% of project profits after allowing for the recoupment of past deductible project costs. These past project costs are not compounded and exploration costs incurred outside of the Tui project cannot be transferred to the Tui project. PRRT and APR are deductible for income tax purposes in Australia and New Zealand respectively.

	2014 $'000	2013 $'000

8. Earnings per share

	2014 $'000	2013 $'000
Earnings used in calculating earnings per share		
Basic & diluted earnings - from continuing operations	**62,500**	20,037

Weighted average number of ordinary shares used as the denominator	2014 Number	2013 Number
Issued ordinary shares - opening balance	**522,116,985**	521,871,941
Effect of shares issued	**261,921**	158,723
Weighted average number of ordinary shares	**522,378,906**	522,030,664
Weighted average number of ordinary shares (diluted)		
Weighted average number of ordinary shares at 30 June	**522,378,906**	522,030,664
Effect of employee rights on issue	**10,605,205**	7,300,595
Weighted average number of ordinary shares adjusted for effect of dilution	**532,984,111**	529,331,259

	2014 Cents	2013 Cents
Basic earnings per share from continuing operations attributable to the ordinary equity holders of the company	**11.96**	3.84
Diluted earnings per share from continuing operations attributable to the ordinary equity holders of the company	**11.73**	3.79

9. Auditors' remuneration

Ernst & Young	2014 $	2013 $
Audit services - auditor of the Company		
Audit and review of financial reports	**398,151**	410,915
Taxation Services		
Taxation compliance services	**95,000**	87,653
Other Services		
Advisory and assurance services	**63,357**	222,372
Total remuneration of Ernst & Young	**556,508**	720,940

10. Segment reporting

(a) Description of segments

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker that are used to make strategic decisions. The chief operating decision maker considers the business from both a product and a geographic perspective and on this basis has identified six reportable segments. For each reportable segment, the chief operating decision maker reviews internal management reports on at least a monthly basis. The following summary describes the operations in each of the consolidated entity'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 gas (VIC/L 24, Otway Basin, offshore southern Australia) projects.
Western Australia	Production and sale of crude oil, gas and condensate from the Cliff Head oil project (WA 31 L, Perth Basin, offshore Western Australia) and oil and gas fields in the Perth Basin, onshore, Western Australia.
New Zealand	Production and sale of crude oil from the Tui Area oil project (PMP 38158, offshore Taranaki Basin, New Zealand).
USA	Production and sale of gas, LNG and condensate from the Sugarloaf AMI (Texas, United States of America).
Indonesia	Predominantly comprising the development asset comprising a 50% in the Ande Ande Lumut (AAL) oil field.
Exploration Activities	Exploration and evaluation activities within the production licences and exploration permits held by AWE.

10 Segment reporting (continued)

(b) Segment information provided to the chief operating decision maker for the year ending 30 June

	South East Australia		Western Australia		New Zealand		USA		Indonesia		Exploration Activities		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Sales revenue	**124,537**	82,781	**68,303**	79,555	**61,561**	82,947	**73,849**	55,226	**-**	-	**-**	-	**328,250**	300,509
Production costs	**(39,129)**	(41,302)	**(29,719)**	(29,532)	**(20,172)**	(21,947)	**(10,283)**	(7,105)	**-**	-	**-**	(8)	**(99,303)**	(99,894)
Royalties	**(102)**	(38)	**(730)**	(1,112)	**(511)**	(967)	**(18,794)**	(13,831)	**-**	-	**-**	-	**(20,137)**	(15,948)
Segment result before amortisation and impairment	**85,306**	41,441	**37,854**	48,911	**40,878**	60,033	**44,772**	34,290	**-**	-	**-**	(8)	**208,810**	184,667
Exploration and evaluation expenses	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**(39,806)**	(9,735)	**(39,806)**	(9,735)
Amortisation	**(59,293)**	(41,383)	**(13,008)**	(19,643)	**(22,607)**	(16,903)	**(22,667)**	(27,091)	**-**	-	**-**	-	**(117,575)**	(105,020)
Fair value adjustment	**(12,438)**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**(12,438)**	-
Reportable segment profit / (loss)	**13,575**	58	**24,846**	29,268	**18,271**	43,130	**22,105**	7,199	**-**	-	**(39,806)**	(9,743)	**38,991**	69,912
Unallocated income/(expenses)														
Other revenue													**1,041**	1,265
Other income													**97,609**	2,930
Net financing expense													**(10,090)**	(9,420)
Other Expenses													**(31,128)**	(13,256)
Net profit before income tax													**96,423**	51,431
Segment Assets:														
Oil and gas assets	**348,247**	478,863	**76,540**	87,223	**122,602**	56,915	**163,852**	147,932	**90,813**	155,849	**-**	-	**802,054**	926,782
Exploration assets	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**109,284**	111,034	**109,284**	111,034
Assets held for sale	**84,301**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**84,301**	**-**
Other assets	**8,756**	5,558	**3,900**	2,178	**23,654**	7,652	**-**	-	**4,312**	6,948	**-**	-	**40,622**	22,336
	441,304	484,421	**80,440**	89,401	**146,256**	64,567	**163,852**	147,932	**95,125**	162,797	**109,284**	111,034	**1,036,261**	1,060,152
Corporate and unallocated assets													**166,282**	121,357
Total assets													**1,202,543**	1,181,509

	2014 $'000	2013 $'000

10. Segment reporting (continued)

(c) Major customers

The consolidated entity had revenues from four external customers that each represents greater than 10% of total sales revenue, and when combined represent 78% of total sales revenue (2013: four external customers; 75%):

	2014 $'000	2013 $'000
Revenues from major customers by segment		
New Zealand	**61,561**	82,948
South East Australia	**124,537**	82,780
Western Australia	**68,303**	60,787
	254,401	226,515

11. Cash and cash equivalents

	2014 $'000	2013 $'000
Bank balances	**13,053**	7,780
Call deposits	**13,759**	22,146
Cash held by joint ventures	**15,332**	11,205
	42,144	41,131

12. Trade and other receivables

	2014 $'000	2013 $'000
Current		
Trade debtors	**22,039**	48,010
Less: Provision for doubtful debts	**-**	-
Net trade debtors	**22,039**	48,010
Interest receivable	**-**	16
Joint venture debtors	**6,945**	4,363
Other debtors	**2,076**	2,255
Prepayments	**2,041**	1,439
Other	**-**	940
Total other receivables	**11,062**	9,013
Total current trade and other receivables	**33,101**	57,023
Non-current		
Prepayments	**1,520**	1,949
Other receivables	**86,483**	8,726
Total non-current trade and other receivables	**88,003**	10,675

Trade receivables are non–interest bearing and are generally on terms of 30 days. All trade and other receivable are carried at values approximating fair value. Refer note 31 for further details regarding how the Company manages credit risk.

Included within non-current receivables is $79.8 million related to the capital expenditure carry from Santos Limited in connection with the sale of 50% interest in the Northwest Natuna PSC (refer note 4) and VAT recoverable related to Indonesian development assets.

13. Inventory

	2014 $'000	2013 $'000
Oil (at cost)	**14,996**	1,541
Spares and consumables	**3,751**	3,686
	18,747	5,227

	2014 $'000	2013 $'000

14. Held for sale assets

	2014 $'000	2013 $'000
Assets classified as held for sale		
Exploration assets	**5,881**	-
Oil and gas assets	**89,626**	-
Fair value adjustment on held for sale assets	**(12,438)**	-
Other	**1,232**	-
	84,301	-
Liabilities directly associated with assets classified as held for sale		
Restoration and abandonment provision	**(11,702)**	-
Net asset held for sale	**72,599**	-

On 24 January 2014 the Company executed a contract for the sale of a 9.75% interest in T/18P (Exploration asset associated with BassGas) and a 12.5% interest in T/L1 (Production asset associated with BassGas). As at 30 June 2014 the sale remains subject to a number of conditions precedent, therefore the underlying assets and associated liabilities are treated as being held for sale until such time that all the conditions precedent are satisfied.

Fair value adjustment related to held for sale assets
As a consequence of the sale agreement a fair value adjustment has been recognised on the relevant exploration and oil and gas assets related to T/18P and T/L1. These were previously valued on a value in use basis rather than fair value less costs to sell. This adjustment amounted to pre-tax $12.4 million ($8.3 million after tax).

15. Exploration and evaluation assets

	2014 $'000	2013 $'000
Exploration and evaluation assets	**109,284**	111,034
Reconciliation of movement:		
Opening balance	**111,034**	84,154
Additions (net of amount recovered from joint ventures)	**44,277**	34,420
Exploration costs incurred and expensed during the year	**(39,806)**	(9,735)
Transfer to asset held for sale (note 14)	**(5,881)**	-
Foreign exchange translation difference	**(340)**	2,195
Carrying amount at the end of the financial year	**109,284**	111,034

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.

There were no disposals or impairments charged in 2013.

16. Oil and gas assets

	2014 $'000	2013 $'000
Oil and gas assets at cost	**1,646,921**	1,650,036
Less amortisation and impairment	**(844,867)**	(723,254)
	802,054	926,782
Reconciliation of movement:		
Opening balance	**926,782**	847,026
Acquired (PMP 38158)	**7,184**	-
Additions	**143,851**	142,580
Disposals	**(79,140)**	-
Transfer to asset held for sale (note 14)	**(89,626)**	-
Increase in restoration and abandonment provision	**22,168**	23,090
Foreign exchange translation difference	**(3,787)**	17,924
Amortisation	**(125,378)**	(103,838)
Carrying amount at the end of the financial year	**802,054**	926,782

Impairment
Impairment testing in connection with oil and gas assets are performed to determine whether there is an indication of impairment. Each year the consolidated entity performs an internal review of asset values using cash flow projections. Where there are indicators of impairment these asset values are then tested for impairment. 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 market value. 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:

- Oil and gas prices – a combination of contracted gas prices, forward market prices and longer term observable price forecasts,
- Exchange rates – a combination of current spot USD/AUD exchange rate prevailing at 30 June and long term observable forecasts,
- Discount rates – the post-tax discount rate applied to cash flow projections is 10%.

No impairment was required during the year ended 30 June 2014 (2013: nil). Asset valuations, based on cash flow projections rely on a range of assumptions that are subject to change. Accordingly, asset values are sensitive to changes in key assumptions. The impairment that would arise from a possible change in key assumptions (all other assumptions remaining the same) is shown below:

- A 10% decrease in oil prices would result in impairment of $53 million;
- A 10% decrease in the gas price would result in impairment of $22 million
- A 10% increase in exchange rate would result in impairment of $33 million; and
- A 1% increase in the post-tax discount rate would result in impairment of $20 million.

Disposals
During the year ended 30 June 2014 the company disposed a 50% interest in the NWN PSC (refer note 4 for further details).

There were no disposals during the year ended 30 June 2013.

	2014 $'000	2013 $'000

17. Other plant and equipment

	2014 $'000	2013 $'000
Other plant and equipment (at cost)	**5,410**	4,925
Less accumulated depreciation	**(3,809)**	(3,314)
	1,601	1,611
Reconciliation of the movement in other plant and equipment:		
Opening balance	**1,611**	1,887
Additions	**605**	259
Depreciation	**(615)**	(535)
Carrying amount at the end of the financial year	**1,601**	1,611

18. Intangible assets

	2014 $'000	2013 $'000
Intangible assets (at cost)	**3,082**	2,682
Less accumulated amortisation	**(2,734)**	(2,630)
	348	52
Reconciliation of the movement in intangible assets:		
Computer software		
Opening balance	**52**	133
Additions	**398**	2
Amortisation	**(102)**	(83)
Carrying amount at the end of the financial year	**348**	52

19. Trade and other payables

	2014 $'000	2013 $'000
Current		
Trade payables	**197**	148
Joint venture creditors	**48,128**	30,996
Other payables and accrued expenses	**26,579**	17,568
Deposit received in connection with asset held for sale	**16,000**	-
	90,904	48,712

20. Interest-bearing liabilities

	2014 $'000	2013 $'000
Bank loans - unsecured	**-**	77,834
	-	77,834

The consolidated entity has access to the following lines of credit:

	2014 $'000	2013 $'000
Bank loans - unsecured	**300,000**	300,000
Facilities utilised at balance date	**-**	77,834
Facilities not utilised at balance date	**300,000**	222,166
	300,000	300,000

During December 2013 AWE executed a $300 million unsecured multicurrency syndicated bank loan facility which replaced the existing bilateral loan facilities. The facility is for general corporate purposes and bears interest at the applicable base rate plus a margin. The new facility expires in December 2017. At 30 June 2014 no borrowings had been drawn under the facility. At 30 June 2013, under the terms of the previous facility $77.8, million had been drawn down.

Unamortised loan establishment fees of $2.1 million associated with the new 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. In prior periods loan establishment fees were netted off against the interest bearing liability. Comparative information relating to loan establishment fees have been reclassified to prepayments for consistency with current period disclosure. During the period unamortised loan establishment fees of $1.5 million associated with the previous facility were written off in full.

	2014 $'000	2013 $'000

21. Employee benefits

	2014 $'000	2013 $'000
Current		
Provision for employee benefits	**2,331**	3,957
Non-current		
Provision for employee benefits	**614**	346

(a) Superannuation plans

The consolidated entity makes contributions to complying accumulation type superannuation plans nominated by individual employees. The consolidated entity contributes at least the amount required by law. The amount recognised as an expense was $978,001 for the financial year ended 30 June 2014 (2013: $760,600).

(b) Employee benefits expensed

Salaries and wages and other associated personnel costs are allocated to various income statement categories based on the function of the expenditure.

	2014 $'000	2013 $'000
Salaries and wages	**26,732**	23,567
Share-based payments	**2,549**	2,553
Other associated personnel costs	**8,472**	6,032
	37,753	32,152

(c) Share-based payments – Share Rights Plan

The employee Share Rights Plan is designed to generate performance-based cash awards that may be converted, at the Board's discretion, into AWE shares or cash. The key elements of the plan include:

- Rights are granted each year and the number of rights granted will be determined by the employee's level in the Company, fixed remuneration at the time of grant and both the Company and employee's performance in the previous financial year;
- There are three tranches of rights with separate vesting criteria:
  - Retention(1);
  - Absolute TSR(2); and
  - Relative TSR.
- The vesting period is for three years, the rights will lapse after three years and there will be no retesting.
- Rights granted in any particular financial year are tested for vesting over the three year period commencing 1 July of grant year.

(1) Retention rights are not granted to the Managing Director.
(2) TSR refers to 'Total Shareholder Return' and is defined as the percentage change over a period in shareholder value due to share price movement and dividends paid assuming dividends are reinvested into AWE shares.

The conditions for the award of rights and the criteria for vesting are:

Retention Grants

- Number of rights calculated using the 30-day VWAP of the AWE share price in June of grant year.
- Vest after three years if the employee remains employed by AWE.

Absolute TSR Grants

- Number of rights calculated using the 30-day VWAP of the AWE share price in June of grant year.
- Vest after three years according to the Company's Absolute TSR for that three year period.
- The vesting scales to apply for Absolute TSR grants are as follows:

Rights granted from the June 2013 Financial Year (1)	
AWE TSR	**% of rights to vest**
< 8% pa compound	-
8% pa compound	25%
>8% and <10% pa compound	Pro rata
10% pa compound	50%
>10% and <12% pa compound	Pro rata
12% pa compound	100%

Rights granted up to the June 2012 Financial Year(2)	
AWE TSR	**% of rights to vest**
< 6% pa compound	-
6% pa compound	25%
>6% and <9% pa compound	Pro rata
9% pa compound	50%
>9% and <12% pa compound	Pro rata
12% pa compound	100%

(1) Performance hurdles increased
(2) Tested for vesting in financial years up to 30 June 2014

21. Employee benefits (Continued)

(c) Share-based payments – Share Rights Plan (continued)

Relative TSR Grants

- Number of rights calculated using the 30-day VWAP of AWE share price in June of grant year.
- Vest after three years according to the Company's TSR relative to comparable companies in ASX Energy300 Index in grant year as per the table below.
- The vesting scales to apply for Relative TSR grants are as follows:

The Board determines annually in advance the appropriate comparator group to apply to Relative TSR grants for the following 3 year period.

Rights granted from the June 2013 Financial Year (1)	
AWE TSR relative to TSR of companies in S&P/ASX Energy Index at date of grant	**% of rights to vest**
< 50%	-
50%	25%
>50% and <90%	Pro rata
90% and above	100%

Rights granted up to the June 2012 Financial Year (2)	
AWE TSR relative to TSR of companies in S&P/ASX Energy Index at date of grant	**% of rights to vest**
< 50%	-
50%	50%
>50% and <75%	Pro rata
75% and above	100%

(1) Performance hurdles increased
(2) Tested for vesting in financial years up to 30 June 2014

A summary of rights in the consolidated entity and the Company is as follows:

Grant date	Vesting date	Opening balance	Granted	Vested	Lapsed	Closing balance	AWE share price at date of issue
As at 30 June 2014							
3-Dec-10	**30-Jun-13**	**344,645**	**-**	**(344,645)**	**-**	**-**	**$1.74**
25-Jun-11	**30-Jun-13**	**82,006**	**-**	**(82,006)**	**-**	**-**	**$1.21**
30-Jun-11	**30-Jun-13**	**230,062**	**-**	**(227,987)**	**(2,075)**	**-**	**$1.28**
16-Sep-11	**30-Jun-14**	**2,947,111**	**-**	**-**	**(261,499)**	**2,685,612**	**$1.04**
31-Oct-11	**30-Jun-14**	**162,850**	**-**	**-**	**-**	**162,850**	**$1.39**
24-Nov-11	**30-Jun-14**	**916,032**	**-**	**-**	**-**	**916,032**	**$1.25**
22-Nov-12	**30-Jun-15**	**331,474**	**-**	**-**	**-**	**331,474**	**$1.34**
4-Dec-12	**30-Jun-15**	**2,241,677**	**-**	**-**	**(187,221)**	**2,054,456**	**$1.30**
28-Jun-13	**30-Jun-15**	**44,738**	**-**	**-**	**(2,415)**	**42,323**	**$1.24**
27-Nov-13	**30-Jun-16**	**-**	**427,474**	**-**	**-**	**427,474**	**$1.195**
16-Jan-14	**30-Jun-16**	**-**	**3,723,695**	**-**	**(288,377)**	**3,435,318**	**$1.30**
20-Jun-14	**30-Jun-16**	**-**	**115,437**	**-**	**-**	**115,437**	**$1.86**
		7,300,595	**4,266,606**	**(654,638)**	**(741,587)**	**10,170,976**	
As at 30 June 2013							
19-Nov-09	30-Jun-12	332,136	-	-	(332,136)	0	$2.80
22-Jan-10	30-Jun-12	1,322,800	-	(284,379)	(1,038,421)	0	$2.83
31-Mar-10	30-Jun-12	20,770	-	(6,271)	(14,499)	0	$2.72
23-Apr-10	30-Jun-12	10,181	-	(2,855)	(7,326)	0	$2.58
3-Dec-10	30-Jun-13	1,710,193	-	-	(1,365,548)	344,645	$1.74
25-Jun-11	30-Jun-13	339,431	-	-	(257,425)	82,006	$1.21
30-Jun-11	30-Jun-13	920,246	-	-	(690,184)	230,062	$1.28
16-Sep-11	30-Jun-14	3,149,578	-	-	(202,467)	2,947,111	$1.04
31-Oct-11	30-Jun-14	162,850	-	-	-	162,850	$1.39
24-Nov-11	30-Jun-14	916,032	-	-	-	916,032	$1.25
22-Nov-12	30-Jun-15	-	331,474	-	-	331,474	$1.34
4-Dec-12	30-Jun-15	-	2,333,503	-	(91,826)	2,241,677	$1.30
28-Jun-13	30-Jun-15	-	44,738	-	-	44,738	$1.24
		8,884,217	2,709,715	(293,505)	(3,999,832)	7,300,595	

For grants of rights, the fair value has been calculated at the grant date using a Black-Scholes Pricing Model and assuming a vesting probability of 43.5% for performance related awards and a 10% staff turnover rate for retention awards.

The fair value of rights has been calculated at the grant date and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the rights allocated to this reporting period. The value disclosed does not therefore represent cash received.

The share rights outstanding at 30 June 2014 have fair value in the range of $0.45 to $1.86, and a weighted average remaining contractual life of 1 year (2013: 1.3 years).

21. Employee benefits (Continued)

(c) Share-based payments – Share Rights Plan (continued)

The fair value of services rendered in return for share rights granted is measured by reference to the fair value of share rights granted. The inputs into the model are shown in the following table:

Grant date	Fair value at measurement date	Weighted average share price	Expected volatility	Expected dividends	Vesting probability	Assumed staff turnover
As at 30 June 2014						
27-Nov-13	**$0.52**	**$1.195**	**25%**	**0% to 3%**	**43.5%**	**10%**
16-Jan-14	**$0.57 to $1.30**	**$1.30**	**25%**	**0% to 3%**	**43.5%**	**10%**
20-Jun-14	**$0.81 to $1.86**	**$1.86**	**25%**	**0% to 3%**	**43.5%**	**10%**
As at 30 June 2013						
22-Nov-12	$0.58	$1.34	25%	0% to 3%	43.5%	10%
4-Dec-12	$0.57 to $1.30	$1.30	25%	0% to 3%	43.5%	10%
28-Jun-13	$0.54 to $1.24	$1.24	25%	0% to 3%	43.5%	10%

(d) Share-based payments – Employee share option plan

Under the Company's legacy Employee Share Option Plan, options to subscribe for ordinary shares in the Company were issued to employees at the discretion of the directors and the exercise price and exercise period were determined to reward employees if the Company's share price achieves significant long-term growth. Options were unlisted and were granted with exercise prices not less than the average market price of the Company's shares for the five days prior to grant.

The Company no longer issues employee share options. No employee share options have been issued since June 2009 and all remaining employee share options expired unexercised during the financial year.

A summary of outstanding options to acquire ordinary shares in the Company is as follows:

Grant date	Expiry date	Exercise price	Opening balance	Granted	Exercised	Lapsed	Closing balance	Value of shares at exercise date
As at 30 June 2014								
15-Aug-08	**14-Aug-13**	**3.28**	**1,466,000**	**-**	**-**	**(1,466,000)**	**-**	**-**
16-Jan-09	**15-Jan-14**	**2.60**	**75,000**	**-**	**-**	**(75,000)**	**-**	**-**
16-Jun-09	**15-Jun-14**	**2.75**	**437,500**	**-**	**-**	**(437,500)**	**-**	**-**
			1,978,500	**-**	**-**	**(1,978,500)**	**-**	
As at 30 June 2013								
13-Jul-07	14-Jul-12	3.56	2,165,000	-	-	(2,165,000)	-	-
9-Oct-07	8-Oct-12	3.56	45,000	-	-	(45,000)	-	-
26-Nov-07	30-Aug-12	3.18	300,000	-	-	(300,000)	-	-
7-Apr-08	6-Apr-13	3.65	125,000	-	-	(125,000)	-	-
16-May-08	12-May-13	4.10	275,000	-	-	(275,000)	-	-
12-Jun-08	11-Jun-13	4.08	300,000	-	-	(300,000)	-	-
15-Aug-08	14-Aug-13	3.28	1,466,000	-	-	-	1,466,000	-
16-Jan-09	15-Jan-14	2.60	75,000	-	-	-	75,000	-
16-Jun-09	15-Jun-14	2.75	437,500	-	-	-	437,500	-
			5,188,500			(3,210,000)	1,978,500	-

22. Provisions

	2014 $'000	2013 $'000
Current		
Restoration and abandonment	**16,228**	18,285
Deferred revenue	**896**	1,881
Other	**3**	3
	17,127	20,169
Non-current		
Restoration and abandonment	**138,899**	123,183
	138,899	123,183
Total provisions	**156,026**	143,352
Reconciliation of movement:		
Restoration and abandonment:		
Carrying amount at the beginning of the financial year	**141,468**	112,980
Write back in provisions due to assets classified as held for sale	**(11,702)**	-
Provisions made during the year	**22,168**	23,090
Foreign exchange translation difference	**1,004**	3,243
Unwind of discount	**2,189**	2,155
Carrying amount at the end of the financial year	**155,127**	141,468
Deferred revenue and other:		
Carrying amount at the beginning of the financial year	**1,884**	939
Provisions reversed during the year	**(985)**	(40)
Provisions made during the year	**-**	985
Carrying amount at the end of the financial year	**899**	1,884

Provisions made for environmental rehabilitation are recognised where there is a present obligation as a result of exploration, development or production activities having been undertaken and it is probable that an outflow of economic benefits will be required to settle the obligation. The estimated future obligations include the costs of removing facilities, abandoning wells and restoring the affected areas. Due to the long-term nature of the liability, there is some uncertainty in estimating the provision of the costs that will be incurred. In particular, the consolidated entity has assumed that restoration will use technology and materials that are available currently. The basis for accounting is set out in note 1(r).

23. Taxation (receivable) / payable

	2014 $'000	2013 $'000
Income tax - New Zealand	**(2,071)**	4,136
Accounting Profits Royalty (APR) – New Zealand	**34**	9,090
Petroleum Resource Rent Tax (PRRT) - Australia	**1,828**	4,861
Other	**-**	250
	(209)	18,337

No Australian income tax is payable for the 30 June 2014 financial year. Refer Note 24 for information with regards to the tax loss position of the consolidated entity.

24. Deferred tax assets and liabilities

	2014 $'000	2013 $'000
Deferred tax asset		
Tax benefit attributable to tax losses	**94,256**	60,820
Provisions and accruals	**47,852**	43,803
Other	**437**	1,178
	142,545	105,801
Deferred tax liability		
Exploration and evaluation assets	**(26,112)**	(26,268)
Oil and gas assets	**(66,223)**	(30,241)
Arising from PRRT and APR	**(15,279)**	(21,318)
Other receivables - non-current	**(11,971)**	-
	(119,585)	(77,827)
Net deferred tax assets	**22,960**	27,974
Unrecognised deferred tax assets		
Tax value of Australian income tax losses (calculated at 30%)	**84,941**	69,797
Deferred tax asset recognised	**(55,531)**	(40,387)
Tax value of Australian income tax losses not recognised as an asset (calculated at 30%)	**29,410**	29,410

Australian Petroleum Resource Rent Tax and New Zealand Accounting Profits Royalty
The consolidated entity applies tax effect accounting to both PRRT and to APR for all of the consolidated entity's onshore and offshore Australian and offshore New Zealand producing operations. Applying tax effect accounting principles to both PRRT and APR causes the tax effect of the difference between the PRRT/APR tax base and the accounting base of these assets to be recognised as a deferred tax asset or deferred tax liability on the balance sheet. The PRRT/APR tax base represents the remaining deductible project costs of the relevant projects. The accounting base represents the written down net balance sheet value of the project which is amortised over the life of reserves. Where the remaining deductible project costs for a project exceed the accounting base and the excess cannot be transferred to a PRRT payable project then no deferred tax asset is recorded. The application of tax effect accounting to both PRRT and APR may impact the reported income tax expense whether or not a current tax liability to pay PRRT or APR arises.

Deferred tax assets in relation to carried forward losses
Total Australian income tax losses incurred prior to forming a tax consolidated group amount to $29.4 million (calculated at 30%) are not recognised as a deferred tax asset.

All Australian income tax losses incurred after 30 June 2003 and that remain unutilised at 30 June 2014 have been recorded as a deferred tax asset ($55.6 million calculated at 30%).

Unutilised New Zealand tax losses have been recorded as a deferred tax asset ($20 million calculated at 28%).

All US income tax losses as at 30 June 2014 have been recorded as a deferred tax asset ($18.4 million calculated at 35%).

Tax losses or Production Sharing Contract (PSC's) unrecovered costs incurred in other jurisdictions have been treated as permanently not deductible due to uncertainty of future usage due to insufficient estimated recoverable taxable income in those jurisdictions.

	2014 $'000	2013 $'000

25. Capital and reserves

(a) Share capital

	2014 $'000	2013 $'000
522,696,385 (2013: 522,116,985) ordinary shares, fully paid	**772,172**	772,172

There were no movements in share capital during the year.

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

(b) Equity compensation reserve

The equity compensation reserve represents the fair value of options expensed by the Company to 30 June 2014.

(c) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where the functional currency is different to the presentation currency of the reporting entity.

(d) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

(e) Dividends paid

No dividends were paid during the year (2013: nil).

(f) Dividend franking account

	2014 $'000	2013 $'000
Dividend franking account		
30% franking credits available at 30 June	**311**	311
30% franking credits available to shareholders for subsequent financial years	**311**	311

26. Interests in oil and gas permits

At the end of the financial year the consolidated entity held the following oil and gas production, exploration and appraisal permits:

Permit	Country and geographical area	Consolidated percentage interest 2014 %	2013 %
T/L1 Yolla	Australia, Bass basin	**46.25**	46.25
T/18P	Australia, Bass basin	**44.75**	44.75
VIC/L 24 Casino	Australia, Otway basin	**25.00**	25.00
VIC/L 30 Henry, Netherby	Australia, Otway basin	**25.00**	25.00
VIC/P 44	Australia, Otway basin	**25.00**	25.00
VICRL11 Martha	Australia, Otway basin	**25.00**	25.00
VICRL12 Blackwatch	Australia, Otway basin	**25.00**	25.00
VIC / P67 La Bella	Australia, Otway basin	**60.00**	-
WA 31 L Cliff Head	Australia, North Perth basin, Offshore	**57.50**	57.50
WA 497P	Australia, Carnarvon basin	**100.00**	-
L1/L2 Dongara, Yardarino	Australia, North Perth basin, Onshore	**100.00**	100.00
L1/L2 Hovea and Eremia	Australia, North Perth basin, Onshore	**50.00**	50.00
L1/L2 Corybas	Australia, North Perth basin, Onshore	**50.00**	50.00
L4/L5 Woodada	Australia, North Perth basin, Onshore	**100.00**	100.00
L7 Mt Horner	Australia, North Perth basin, Onshore	**100.00**	100.00
L11 Beharra Springs, Redback Terrace	Australia, North Perth basin, Onshore	**33.00**	33.00
L14 Jingemia	Australia, North Perth basin, Onshore	**44.14**	44.14
EP 320	Australia, North Perth basin, Onshore	**33.00**	33.00
EP 413	Australia, North Perth basin, Onshore	**44.25**	44.25
EP 455	Australia, North Perth basin, Onshore	**81.50**	81.50
PMP 38158 Tui, Amokura,Pateke	New Zealand, Taranaki Basin, Offshore	**57.50**	42.50
PEP 55768	New Zealand, Taranaki Basin, Onshore	**51.00**	-
Bulu PSC	Indonesia, Java Sea	**42.50**	42.50
East Muriah PSC	Indonesia, Java Sea	**50.00**	50.00
Terumbu PSC	Indonesia, Java Sea	**100.00**	100.00
North Madura PSC	Indonesia, Java Sea	**50.00**	50.00
Titan PSC	Indonesia, Java Sea	**40.00**	40.00
North West Natuna PSC	Indonesia, Natuna Sea	**50.00**	100.00
Anambas PSC	Indonesia, Natuna Sea	**100.00**	100.00
Yemen Block no. 7	Yemen, Shabwa basin	**19.25**	19.25
Yemen Block no. 74	Yemen, Masilah basin	**29.75**	29.75
Sugarloaf Area of Mutual Interest	United States of America, Karnes County, Texas	**10.00**	10.00

Included in the assets and liabilities of AWE are the following items which represent AWE's interest in the assets and liabilities employed in the permits.

	2014 $'000	2013 $'000
Current assets		
Cash and cash equivalents	**15,332**	11,205
Trade and other receivables	**6,945**	4,363
Inventory	**3,751**	3,686
	26,028	19,254
Non-current assets		
Exploration and evaluation assets	**109,284**	111,034
Oil and gas assets	**802,054**	926,782
	911,338	1,037,816
Total assets	**937,366**	1,057,070
Current liabilities		
Trade and other payables	**48,128**	30,996
Total liabilities	**48,128**	30,996

Refer to notes 27 and 28 for details of commitments and contingent liabilities.

	2014 $'000	2013 $'000

27. Capital and other commitments

(a) Capital expenditure commitments

Contracted but not provided for or payable:		
Not later than one year	**140,743**	52,156

AWE participates in a number of development projects that were in progress at the end of the period. These projects require AWE, either directly or through joint venture arrangements, to enter into contractual commitments for future expenditures. Contractual commitments for expenditures at year end include $78 million in relation to long lead items for the BassGas MLE development drilling, $21 million in relation to the Pateke development well in New Zealand and $41 million for development drilling at Sugarloaf in the USA.

(b) Exploration and evaluation expenditure commitments

Total exploration and evaluation expenditure contracted for but not provided for in the financial statements, payable:		
Not later than one year	**23,300**	37,200
Later than one year but not later than five years	**14,700**	66,100
	38,000	103,300

AWE participates in a number of licences, permits and production sharing contracts for which the Company has made commitments with relevant governments to complete minimum work programmes. In addition, the Company, directly or through joint venture arrangements, has made contractual commitments at year end in relation to exploration activities to be undertaken in the 2014-15 year.

Commitments not later than one year include $14 million in relation to the La Bella exploration well, $30.6 million in relation to the onshore Perth Basin and $7million offshore Indonesia.

Commitments later than one year include $14 million relating to La Bella (VIC / P67) $6.7 million in relation to Otway (VIC P/44) $12.6 million for BassGas (T/18P), $13.1 million for Carnarvon and $8 million relation to Terumbu in Indonesia.

(c) Time charter commitments

Floating Production Storage and Offtake vessel ("FPSO") time charter contracted for but not provided for in the financial statements, payable:		
Not later than one year	**14,546**	14,513
Later than one year but not later than five years	**8,483**	22,354
	23,029	36,867

The Operator of the Tui Area oil project (PMP 38158, offshore Taranaki Basin, New Zealand) has entered into a USD denominated charter contract for the provision of an FPSO for the Tui Field development. The Charter Contractor owns and operates the FPSO as part of the charter arrangement. The contract is for a fixed initial term to 31 December 2015 with options exercisable by the joint venture for seven one-year extensions.

(d) Non-cancellable operating lease commitments

Future operating lease rentals, not provided for in the financial statements, payable:		
Not later than one year	**10,677**	4,363
Later than one year but not later than five years	**10,652**	3,662
	21,329	8,025

Operating lease commitments include office premises and site service agreements.

28. Contingencies

In accordance with normal industry practice, the consolidated entity has entered into joint venture operations with other parties for the purpose of exploring and developing its permit interests. If a party to a joint venture operation defaults and does not contribute its share of joint venture operation obligations, then the other joint venturers are liable to meet those obligations. In this event, the permit interest held by the defaulting party may be redistributed to the remaining joint venturers.

In accordance with normal industry practice and under the terms of various joint venture operating and product sales agreements, the consolidated entity may have provided performance guarantees to third parties on behalf of wholly-owned controlled entities to fulfil its permit obligations in various jurisdictions where it conducts its operations.

The Operator of the Tui Area oil project (PMP 38158, offshore Taranaki Basin, New Zealand) has entered into a charter contract for the provision of an FPSO for the Tui Field development. The Charter Contractor own and operates the FPSO as part of the charter arrangement. The contract is for a fixed initial term to 31 December 2015 with options exercisable by the joint venture for seven one-year extensions. The consolidated entity has provided a letter of credit in favour of the Charter Contractor amounting to US$7.5 million (2013: US$8.7 million).

The Company is responsible for taxes payable in respect of earlier years by entities acquired from Genting (Oil and Gas) in connection with the acquisition of a participating interest in the Northwest Natuna and Anambas PSC's. The entities are subject to claims by the Indonesian Tax Office in respect of VAT and withholding taxes in respect of the 2005 to 2011 years totalling US1.4 million. The potential liability to earlier years' taxes is also the subject of arbitration proceedings against Genting that are in progress at the report date.

The consolidated entity has made an accounting provision for all known environmental liabilities. There can be no assurance that as a result of new information or regulatory requirements with respect to the consolidated entity's assets that provisions will not be increased at a future date.

The Native Title Act ("NTA") may impact on the consolidated entity's ability to gain access to new prospective exploration areas or obtain production titles. Some of the consolidated entity's onshore petroleum tenements now include land which may become the subject of a Native Title claim under the NTA.

29. Reconciliation of cash flows from operating activities

	2004 $'000	2013 $'000
Cash flows from operating activities		
Profit / (loss) for the period	**62,500**	20,037
Adjustments for:		
Amortisation of oil and gas assets	**125,378**	103,838
Amortisation of intangible assets	**103**	83
Depreciation	**616**	535
(Gain)/loss on disposal of oil and gas assets	**(96,690)**	-
Branch profits tax on disposal of oil and gas assets	**9,662**	-
(Gain)/loss on disposal of other assets	**-**	(114)
Fair value adjustment related to disposal group	**12,438**	-
Loan establishment fees written off/amortised	**2,282**	981
Unwinding of discount – restoration provisions	**2,190**	2,155
Fair value adjustment in relation to NWN carry (& adjust for discount unwind)	**459**	
Share-based payments	**2,549**	2,136
Net foreign currency losses	**225**	403
Change in assets and liabilities during the financial year:		
(Increase)/decrease in trade and other receivables	**20,635**	(16,153)
Decrease/(increase) in oil inventory	**(13,807)**	2,270
(Increase)/ decrease in income taxes payable	**(18,722)**	
(Increase)/ decrease in deferred tax assets	**2,469**	3,997
Increase/(decrease) in provisions and employee benefits	**1,580**	1,750
Decrease in accounts payable	**9,819**	(3,728)
Net cash from operating activities	**123,686**	118,190

30. Controlled entities

Name	Note	Country of incorporation	Equity holding 2014 %	2013 %
Parent entity				
AWE Limited				
Controlled entities				
AWE Administration Pty Limited	1	Australia	**100**	100
AWE Finance Pty Limited	1	Australia	**100**	100
AWE Overseas Pty Limited	1	Australia	**100**	100
AWE Offshore Pty Limited	1	Australia	**100**	100
AWE Argentina Pty Limited	1 & 2	Australia	**100**	100
AWE New Zealand Pty Limited	1 & 2	Australia	**100**	100
AWE UK Pty Limited	1	Australia	**100**	100
AWE Australia Pty Limited	1	Australia	**100**	100
Omega Oil Pty Ltd	1	Australia	**100**	100
Wells Fargo Resources Pty Ltd		Australia	**100**	100
AWE Petroleum Pty Ltd	1	Australia	**100**	100
Peedamullah Petroleum Pty Ltd	1	Australia	**100**	100
AWE (Carnarvon) Pty Ltd	1 & 3	Australia	**100**	100
AWE Resources (Western Australia) Pty Ltd	1	Australia	**100**	100
AWE Oil (Western Australia) Pty Ltd	1	Australia	**100**	100
Perthshire Petroleum Pty Ltd	1	Australia	**100**	100
Tepstew Pty Ltd	1	Australia	**100**	100
Western Petroleum Management Pty Ltd	1	Australia	**100**	100
AWE (NSW) Pty Ltd	1	Australia	**100**	100
AWE (Australia) Energy Pty Ltd	1	Australia	**100**	100
AWE Energy (Australasia) Pty Ltd	1	Australia	**100**	100
AWE Perth Pty Ltd	1 & 4	Australia	**100**	100
AWE (Beharra Springs) Pty Ltd		Australia	**100**	100
AWE Energy Holdings Pty Limited	1 & 6	Australia	**100**	100
AWE (WA) Trading Pty Ltd	1 & 7	Australia	**100**	100
AWE (WA) Investment Company Pty Ltd	1 & 8	Australia	**100**	100
AWE (Wandoo) Pty Ltd	1 & 9	Australia	**100**	100
AWE (Bass Gas) Pty Ltd	1 & 10	Australia	**100**	100
AWE (Offshore PB) Pty Limited	1 & 11	Australia	**100**	100
Adelphi Energy Pty Limited	1	Australia	**100**	100
Adelphi Energy (Yemen) Pty Ltd	1	Australia	**100**	100
Adelphi Holdings (Australia) Pty Limited	12	Australia	**100**	-
AWE Malaysia Pty Limited	1	Australia	**100**	100
Adelphi Energy Texas Inc.		USA	**100**	100
AWE Finance US Inc.		USA	**100**	100
Adelphi Energy Yemen (B74) Limited		British Virgin Islands	**100**	100
AWE Holdings NZ Limited		New Zealand	**100**	100
AWE Taranaki Limited		New Zealand	**100**	100
AWE (Satria) NZ Limited		New Zealand	**100**	100
AWE (East Muriah) NZ Limited		New Zealand	**100**	100
AWE (Terumbu) NZ Limited		New Zealand	**100**	100
AWE (North Madura) NZ Limited		New Zealand	**100**	100
AWE (Titan) NZ Limited		New Zealand	**100**	100
AWE Finance NZ Limited		New Zealand	**100**	100
AWE (AAL) NZ Limited		New Zealand	**100**	100
AWE (Sugarloaf) NZ Limited	12	New Zealand	**100**	-
AWE Singapore Pte. Ltd.		Singapore	**100**	100
AWE Holdings Singapore Pte. Ltd.		Singapore	**100**	100
AWE Vietnam Pte. Ltd.		Singapore	**100**	100
AWE (Northwest Natuna) Pte. Ltd.		Singapore	**100**	100
AWE (Anambas) Pte. Ltd.		Singapore	**100**	100
AWE Offshore UK Limited		UK	**100**	100
Greenslopes Limited		Papua New Guinea	**100**	100

30. Controlled entities (continued)

Notes in relation to the controlled entities:

1 - These controlled entities are a party to a Deed of Cross Guarantee between those group entities and the Company pursuant to ASIC Class Order 98/1418 and are not required to prepare and lodge financial statements and directors' reports (refer note 33). The Company and those group entities are the "Closed Group".

2 - AWE New Zealand Pty Limited and AWE Argentina Pty Limited are Australian companies with branches in New Zealand and Argentina respectively.
3 - AWE (Carnarvon) Pty Ltd was previously known as AWE Services, its named changed during the year.
4 - Previously known as ARC Energy Pty Limited.
5 - Previously known as ARC (Beharra Springs) Pty Ltd.
6 - Previously known as ARC Energy Holdings Pty Limited.
7 - Previously known as ARC Energy Trading Pty Ltd.
8 - Previously known as ARC Investment Company Pty Ltd.
9 - Previously known as ARC (Wandoo) Pty Ltd.
10 - Previously known as ARC (BassGas) Pty Ltd.
11 - Previously known as ARC (Offshore PB) Pty Limited.
12 - New entity incorporated during the year.

31. Financial risk management

The consolidated entity has exposure to foreign currency, interest rate, commodity price, credit and liquidity risks that arise in the normal course of its business. In accordance with Board approved policies derivative 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.

The objective of AWE's financial risk management strategy is to minimise the impact of volatility in financial markets on the financial performance, cash flows and shareholder returns of AWE. This includes the need to ensure that sufficient liquidity is available to fund its strategic business plans. Identification and analysis of relevant financial risks and its impact on the achievement of the Company's objectives forms the basis for determining how such risks should be managed. The forecast financial position of the consolidated entity is regularly monitored and derivative financial instruments may be used within approved guidelines to hedge exposure to fluctuations in interest rates, exchange rates and commodity prices.

(a) Market risk

(i) Commodity price risk

The consolidated entity is exposed to commodity price risk through its revenue from the sale of hydrocarbons – gas, crude oil, condensate and LPG. Australian gas sales are not subject to commodity price risk as the product is sold in Australian Dollars under long-term contracts with CPI escalators in place. However, crude oil, condensate and LPG are priced against world benchmark commodity prices and the consolidated entity is therefore subject to commodity price risk for these products.

Subject to approval of the Board, the consolidated entity may enter into certain derivative instruments to manage its commodity price risk. As at the end of the financial year, the consolidated entity has no commodity price hedging or derivatives in place.

(ii) Interest rate risk

The Company has available an unsecured multi-currency syndicated bank loan facility of A$300 million. The facility utilised at 30 June 2014 was nil (2013: $77.8 million) (refer note 20). When drawn, the Australian Dollar portion of the facility bears interest at the bank bill swap rate plus a margin, the United States Dollar portion of the facility bears interest at LIBOR plus a margin and the New Zealand portion of the facility bears interest at BKBM plus a margin. Borrowings under the facility are at floating rates and when the facility is drawn the consolidated entity would be subject to interest rate risk from movements in the Australian dollar bank bill swap rate, United States dollar LIBOR and New Zealand BKBM. Similarly, the consolidated entity is subject to interest rate risk from movements in the Australian, United States and New Zealand cash deposits.

In accordance with Board approved policies, the consolidated entity may enter into certain derivative instruments to manage its interest rate risk. As at the end of the financial year, the consolidated entity has no interest rate hedging or derivatives in place.

(iii) Foreign exchange risk

The consolidated entity operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United States and New Zealand dollars. The consolidated entity is subject to foreign exchange risk through the sale of products denominated is US dollars, borrowings denominated in US and NZ dollars and foreign currency capital and operating expenditure.

The Company manages its foreign exchange exposures on a net basis and may use forward foreign exchange contracts or cross currency swaps to manage its exposures. As at the end of the financial year, the consolidated entity has no foreign exchange hedging or derivatives in place.

31. Financial risk management (continued)

(a) Market risk (continued)

(iii) Foreign exchange risk (continued)

The following significant exchange rates applied during the year:

	Average rate		Spot rate at the end of the reporting period	
	2014	2013	2014	2013
AUD/USD	**0.9183**	1.0272	**0.9420**	0.9275
AUD/NZD	**1.1063**	1.2494	**1.0761**	1.1871

The financial instruments denominated in United States dollars and New Zealand dollars are as follows:	2014	2013
	A$'000	A$'000
United States dollars:		
Financial assets		
Cash	**18,467**	22,608
Trade and other receivables	**22,252**	38,627
Financial liabilities		
Trade and other payables	**(34,947)**	(20,076)
Bank loans	**-**	(32,345)
New Zealand dollars:		
Financial assets		
Cash	**1,371**	198
Financial liabilities		
Trade and other payables	**-**	-
Bank loans	**-**	(45,489)

The effects of exchange rate fluctuations on the balances of cash held in foreign currencies shown in the Consolidated statement of cash flows is as follows:

Effect of exchange rate fluctuations on the balances of cash held in foreign currencies	**716**	(312)

31. Financial risk management (continued)

(a) Market risk (continued)

(iii) Foreign exchange risk (continued)

Summarised sensitivity analysis
The following table summarises the sensitivity of the consolidated entity's financial assets and financial liabilities to interest rate risk, foreign exchange risk and other price risk.

	Carrying amount	Commodity & other price risk				Interest rate risk				Foreign exchange risk			
		-10%		10%		-1%		1%		-10%		10%	
		Profit	Other equity	Profit	Other equity	Profit	Other equity	Profit	Other equity	Profit	Other equity	Profit	Other equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
30 June 2014													
Financial assets													
Cash and cash equivalents	**42,144**	**-**	**-**	**-**	**-**	**(296)**	**-**	**296**	**-**	**1,392**	**-**	**(1,392)**	**-**
Trade and other receivables	**31,060**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,090**	**-**	**(1,090)**	**-**
Prepayments	**2,041**					**-**		**-**		**-**		**-**	
Financial liabilities													
Trade and other payables	**90,904**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(2,446)**	**-**	**2,446**	**-**
Bank loans	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Total increase / (decrease)		**-**	**-**	**-**	**-**	**(296)**	**-**	**296**	**-**	**36**	**-**	**(36)**	**-**
30 June 2013													
Financial assets													
Cash and cash equivalents	41,131	-	-	-	-	(287)	-	287	-	1,601	-	(1,601)	-
Trade and other receivables	55,584	-	-	-	-	-	-	-	-	2,704	-	(2,704)	-
Prepayments	1,439	-	-	-	-	-		-		-		-	
Financial liabilities													
Trade and other payables	48,712	-	-	-	-	-	-	-	-	(1,405)	-	1,405	-
Bank loans	77,834	-	-	-	-	545	-	(545)	-	-	-	-	
Total increase / (decrease)		**-**	**-**	**-**	**-**	**258**	**-**	**(258)**	**-**	**2,900**	**-**	**(2,900)**	**-**

(b) Credit risk

Credit risk is the risk of sustaining a financial loss as a result of the default by a counterparty to make full and timely payments on transactions which have been executed, after allowing for set-offs which are legally enforceable. The credit risk on financial assets of the consolidated entity which have been recognised on the statement of financial position is the carrying amount, net of any provision for doubtful debts.

Credit risk arises from investments in cash and cash equivalents with bank, derivative financial instruments and credit exposure to customers and/or suppliers. Credit risk also arises from bank facilities which offer committed lines of credit, overdraft facilities, transaction banking services and financial guarantees, which may not be honoured when relied upon. The Board approved Treasury Risk Management Guidelines outline how credit risk exposure will be managed by Treasury.

Receivables and cash and cash equivalents represent the Company's and the consolidated entity's maximum exposure to credit risk:

	2014 $'000	2013 $'000
Cash	**42,144**	41,131
Trade and other receivables	**121,104**	67,698

The consolidated entity does not hold any credit derivatives to offset its credit exposure. With the exception of the capital expenditure carry of $79.8 million due from Santos in connection with the sale of a 50% interest in the Northwest Natuna PSC (refer note 4) there is no concentration of credit risk to a single party.

The ageing of trade receivables at the end of each reporting period was as follows:		
Less than 1 month	**22,039**	48,010
1 month to 3 months	**-**	-
Greater than 3 months	**-**	-
	22,039	48,010

There are no trade receivables past due or impaired at the end of the reporting period (2013: Nil).

31. Financial risk management (continued)

(c) Liquidity risk

Liquidity risk is the risk that the consolidated entity will not have sufficient liquidity to meet its financial obligations as they fall due.

The Board approved Treasury Risk Management Guidelines provide an appropriate framework for the management of the consolidated entity's short, medium and long-term funding and liquidity management requirements.

The consolidated entity manages liquidity risk by continually monitoring forecast and actual cash flows and matching maturity profiles of financial assets and liabilities. Short and long-term cash flow projections are prepared periodically and submitted to the Board at each board meeting of the Company. In addition corporate debt facilities are required to be refinanced well in advance of its maturity date.

Contractual cash flows	Note	Total	Less than 1 year	1-2 years	2-5 years	More than 5 years
		$'000	$'000	$'000	$'000	$'000
30 June 2014						
Consolidated						
Trade and other payables	**19**	**90,904**	**90,904**	**-**	**-**	**-**
Bank loans	**20**	**-**	**-**	**-**	**-**	**-**
30 June 2013						
Consolidated						
Trade and other payables	19	48,712	48,712	-	-	-
Bank loans	20	77,834	-	77,834	-	-

(d) Fair values of financial assets and liabilities

The carrying values of financial assets and liabilities of the consolidated entity and the Company approximate their fair value. The fair values are determined as follows:

- the fair value of financial assets and liabilities with standard terms and conditions and traded on an active liquid market is determined with reference to the quoted price; and
- the fair value of other financial assets and liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analyses.

AWE Limited has adopted the amendment to AASB 13 *Fair Value Measurement* which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- 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) (level 2), and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the consolidated entity is the current bid price. These instruments are included in level 1. There were no available-for-sale financial assets during the year.

(e) Capital management

The consolidated entity maintains an ongoing review of its capital management strategy to ensure it maintains an appropriate capital structure.

The overriding objective of the Company's capital management strategy is to increase shareholder returns whilst maintaining the flexibility to pursue the strategic initiatives of the Company within a prudent capital structure.

The ability of the Company to make future dividends or conduct any form of capital return to shareholders is regularly reviewed by the Board. This is considered against the Company's future funding requirements and ability to access capital and where there is surplus capital to distribute. The Board will endeavour to optimise the return to AWE shareholders via capital management initiatives where it can do so.

32. Related party disclosures

(a) Key management personnel

(i) Key management personnel compensation

The key management personnel compensation included in note 21 is as follows:

	2014 $'000	2013 $'000
Salaries and wages	**4,320**	4,219
Share-based payments	**736**	921
Other associated personnel costs	**179**	348
	5,235	5,488

(ii) Individual directors' and executives' compensation disclosures

Apart from the details disclosed in this note, no director or executive has entered into a material contract with the consolidated entity since the end of the previous financial year and there were no material contracts involving directors' or executives' interests existing at year-end.

(iii) Shares

The movement during the financial year in the number of ordinary shares in the Company held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

Movements in shares	Opening balance	Granted as remuneration	Received on exercise of rights	Net change other	Closing balance
As at 30 June 2014					
Directors					
B. J. Phillips	**2,900,914**	**-**	**-**	**-**	**2,900,914**
B. F. W. Clement (1)	**30,000**	**-**	**230,061**	**-**	**260,061**
D. I. McEvoy	**30,000**	**-**	**-**	**-**	**30,000**
A. J. Hogendijk(2)	**10,000**	**-**	**-**	**(10,000)**	**-**
K. G. Williams	**20,000**	**-**	**-**	**-**	**20,000**
V. Braach-Maksvytis	**-**	**-**	**-**	**-**	**-**
R. J. Betros (3)	**20,000**	**-**	**-**	**50,000**	**70,000**
K. Penrose (4)	**-**	**-**	**-**	**17,935**	**17,935**
Executives					
D. Washer	**43,254**	**-**	**47,102**	**-**	**90,356**
A. Saridas	**-**	**-**	**-**	**-**	**-**
N .P. Tupper (5)	**-**	**-**	**-**	**-**	**-**
M. Drew (6)	**-**	**-**	**-**	**-**	**-**
N. F. Kelly	**151,379**	**-**	**35,622**	**-**	**187,001**
D. R. N. Gaudoin (7)	**29,077**	**-**	**39,988**	**(69,065)**	**-**
As at 30 June 2013					
Directors					
B. J. Phillips	2,900,914	-	-	-	2,900,914
B. F. W. Clement (1)	30,000	-	-		30,000
D. I. McEvoy	30,000	-	-	-	30,000
A. J. Hogendijk(2)	10,000	-	-	-	10,000
K. Williams	20,000	-	-		20,000
V. Braach-Maksvytis	-	-	-	-	-
R. J. Betros (3)	-	-	-	20,000	20,000
Executives					
D. Washer	10,000	-	33,254	-	43,254
A. Saridas	-	-	-	-	-
N. F. Kelly	125,476	-	25,903	-	151,379
D. R. N. Gaudoin (7)	-	-	29,077	-	29,077

1 - Mr Clement was appointed a director of the Company on 1 February 2011.

2 - Mr Hogendijk retired as a director on 27 November 2013.

3 - Mr Betros was appointed a director on 22 November 2012.

4 - Ms Penrose was appointed a director on 28 August 2013.

5 - Mr Tupper commenced employment on 20 May 2013.

6 - Mr Drew commenced employment on 1 May 2013 and ceased employment 30 June 2014.

7 - Mr Gaudoin ceased employment on 1 November 2013.

32 Related party disclosures (continued)

(a) Key management personnel (continued)

(iii) Shares (continued)

Changes in shareholdings classified as "Net change other" in the table above do not necessarily reflect purchases or disposals of shares but may include movements relating to changes in key management personnel during the period.

No shares were granted to key management personnel during the financial year as remuneration.

The disclosures above may not be consistent with the disclosure in the Directors' Report as the basis of calculation differs due to the differing requirements of the Corporations Act 2001 and the Accounting Standards

(iv) Share rights

The movement during the financial year in the number of share rights in the Company held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

Movement in share rights	Opening balance	Granted as remuneration	Exercised	Lapsed unexercised	Net change other	Closing balance
As at 30 June 2014						
Directors						
B. F. W. Clement [1]	**1,477,565**	**427,474**	**(230,061)**	**-**	**-**	**1,674,978**
Executives						
D. Washer	**497,979**	**198,034**	**(47,102)**	**-**	**-**	**648,911**
A. Saridas	**282,372**	**193,189**	**-**	**-**	**-**	**475,561**
N.P. Tupper [2]	**-**	**221,174**	**-**	**-**	**-**	**221,174**
M. Drew [3]	**-**	**181,467**	**-**	**-**	**(181,467)**	**-**
N. F. Kelly	**381,992**	**170,674**	**(35,622)**	**-**	**-**	**517,044**
D. R. N. Gaudoin [4]	**461,792**	**-**	**(39,988)**	**-**	**(421,804)**	**-**
As at 30 June 2013						
Directors						
B. F. W. Clement [1]	1,836,275	331,474	-	(690,184)	-	1,477,565
Executives						
D. Washer	618,328	153,973	(33,254)	(241,068)	-	497,979
A. Saridas	162,850	119,522	-	-	-	282,372
N. F. Kelly	475,656	116,813	(25,903)	(184,574)	-	381,992
D. R. N. Gaudoin [4]	557,179	140,886	(29,077)	(207,196)	-	461,792

1 - All share rights issued to Mr Clement have been approved by shareholders at previous Annual General Meetings of the Company.

2 - Mr Tupper commenced employment on 20 May 2013.

3 - Mr Drew commenced employment on 1 May 2013 and ceased employment 30 June 2014.

4 - Mr Gaudoin ceased employment on 1 November 2013.

(v) Options over equity instruments (legacy plan)

The movement during the financial year in the number of options in the Company held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

As at 30 June 2014					
Executives					
D. Washer	**100,000**	**-**	**(100,000)**	**-**	**-**
N. F. Kelly	**100,000**	**-**	**(100,000)**	**-**	**-**
D. R. N. Gaudoin [1]	**200,000**	**-**	**-**	**(200,000)**	**-**
As at 30 June 2013					
Executives					
D. Washer	250,000	-	(150,000)	-	100,000
N. F. Kelly	250,000	-	(150,000)	-	100,000
D. R. N. Gaudoin [1]	200,000	-	-	-	200,000

1 - Mr Gaudoin ceased employment on 1 November 2013.

(vi) Key management personnel transactions with the Company or its controlled entities

No loans have been made to key management personnel. The Company has entered into Indemnity Deeds to indemnify executives of the Company against certain liabilities incurred in the course of performing their duties.

32 Related party disclosures (continued)

(b) Non-key management personnel disclosures

The consolidated entity has a related party relationship with its controlled entities (note 30), joint ventures (note 26) and with its key management personnel. The Company and its controlled entities engage in a variety of related party transactions in the ordinary course of business. These transactions are generally conducted on normal terms and conditions.

33. Parent entity disclosures

As at, and throughout the year ended 30 June 2014 the parent company of the consolidated entity was AWE Limited.

		The Company	
		2014 $'000	2013 $'000
Result of the parent entity			
Profit / (Loss) for the period		**399**	**(3,082)**
Other comprehensive income		**-**	**-**
Total comprehensive income for the period		**399**	**(3,082)**
Financial position of the parent entity at year end			
Current assets		**337,876**	**350,187**
Total assets		**880,541**	**882,689**
Current liabilities		**376**	**1,124**
Total liabilities		**1,412**	**1,475**
Net assets		**879,129**	**881,214**
Total equity of the parent entity			
Share capital	25	**772,172**	**772,172**
Reserves		**15,097**	**13,304**
Retained earnings		**91,860**	**95,738**
Total equity		**879,129**	**881,214**

Parent entity contingencies and commitments

The contingent liabilities of the parent entity as at the end of the reporting period are disclosed in note 28. The directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement

The parent entity did not have any capital or expenditure commitments as at end of the reporting period.

Parent entity guarantees in respect of debts of its subsidiaries

The parent entity has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of its subsidiaries. Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed, are disclosed in note 34.

34. Deed of cross guarantee

	Closed group 2014 $'000	2013 $'000
Summarised statement of financial position		
Current assets		
Cash and cash equivalents	**29,700**	31,789
Trade and other receivables	**239,756**	144,821
Held for sale assets	**84,301**	
Inventory	**8,710**	3,500
Total current assets	**362,467**	180,110
Non-current assets		
Investments	**64,448**	47,386
Exploration and evaluation assets	**87,039**	87,557
Oil and gas assets	**465,565**	589,323
Other property, plant and equipment	**1,601**	1,573
Intangible assets	**348**	52
Deferred tax assets	**66,019**	54,741
Total non-current assets	**685,020**	780,632
Total assets	**1,047,487**	960,742
Current liabilities		
Trade and other payables	**48,910**	26,410
Employee benefits	**2,079**	839
	11,702	-
Provisions	**16,229**	18,286
Taxation payable	**1,180**	11,499
Total current liabilities	**80,100**	57,034
Non-current liabilities		
Employee benefits	**614**	1,045
Provisions	**104,639**	104,326
Total non-current liabilities	**105,253**	105,371
Total liabilities	**185,353**	162,405
Net assets	**862,134**	798,337
Equity		
Issued capital	**772,172**	772,172
Reserves	**14,862**	13,177
Retained earnings	**75,100**	12,988
Total equity	**862,134**	798,337
Summarised consolidated income statement		
Profit / (loss) before tax	**52,117**	39,365
Income tax (expense)/benefit	**9,995**	(20,120)
Net profit /(loss) after tax for the year	**62,112**	19,245
Retained earnings at the beginning of the year	**12,988**	(6,257)
Retained earnings at the end of the year	**75,100**	12,988

35. Events subsequent to balance date

Subsequent to year end, the Company completed the drilling of the Oi-1/2 exploration well. The well intersected the primary target Kapuni F10 sands, however no significant oil shows were encountered and the well was subsequently plugged and abandoned. The Company has recognised the full cost of the drilling expenditure incurred up to the end of the financial year of $11.5 million in the 2013/14 financial year, and a further $5.3 million is expected to be incurred subsequent to year end.

The Company entered into a farm-in agreement with ROC Oil Company Limited on 8 August 2014 for a 40% participating interest in exploration Block 09/05 in the Bohai Bay area, People's Republic of China.

In the opinion of the directors, no other matter or circumstance has arisen since 30 June 2014 that has significantly affected, or may significantly affect:

a) the consolidated entity's operations in future financial years, or
b) the results of those operations in future financial years, or
c) the consolidated entity's state of affairs in future financial years.

Directors' declaration

In the opinion of the directors of AWE Limited:

(a) the financial statements and accompanying notes, and the Remuneration Report in the Directors' Report, are in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the financial position of the consolidated entity as at 30 June 2014 and of its performance for the financial year ended on that date; and

   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(b) the financial statements also comply with International Financial Reporting Standards as disclosed in note 1(a); and

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(d) there are reasonable grounds to believe that the Company and the group entities identified in Note 30 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to ASIC Class Order 98/1418.

The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Managing Director and Chief Financial Officer for the financial year ended 30 June 2014.

Signed in accordance with a resolution of the directors:

Dated at Sydney this twenty sixth day of August 2014.

B. J. PHILLIPS
Chairman

B. F. W. CLEMENT
Managing Director

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Independent auditor's report to the members of AWE Limited

Report on the financial report

We have audited the accompanying financial report of AWE Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, 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 year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the 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 financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements,* that the financial statements comply with *International Financial Reporting Standards.*

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit 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.

Opinion

In our opinion:

a. the financial report of AWE Limited is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of AWE Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Trent van Veen
Partner
Sydney
26 August 2014