

# Half Year Results

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25 February 2015

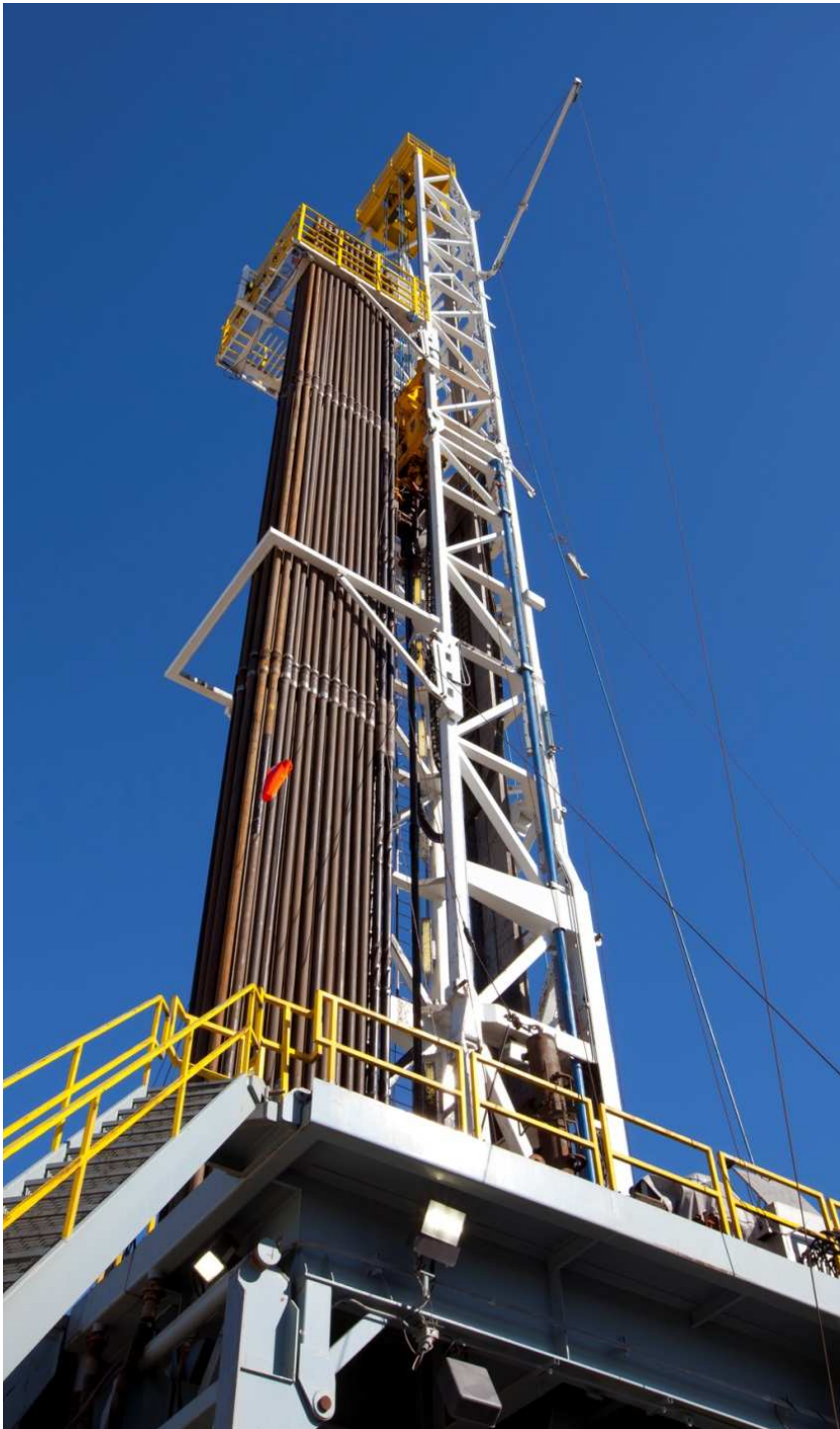


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This presentation may also contain non-IFRS measures that are unaudited but are derived from and reconciled to the audited accounts. All references to dollars, cents or \$ in this presentation are to Australian currency, unless otherwise stated.

**Reserves and Resources.** The reserve and resource information contained in this report is based on information compiled by Neil Tupper (General Manager, Exploration & Geoscience). Mr Tupper is a Geologist with a Masters Degree in Sedimentology and has over 32 years' experience in petroleum exploration. He has consented in writing to the inclusion of this information in the format and context in which it appears.

**Prospective Resources.** AWE follows the Society of Petroleum Engineers – Petroleum Resources Management System (SPE-PRMS) guidelines with respect to the definition of different classes of reserves and resources. SPE-PRMS defines Prospective Resources as being the estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) related to undiscovered accumulations. These estimates have a probability of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons and the probability of development.



# Agenda

Highlights  
Financial Performance  
Strategy Update  
Growth Projects  
Outlook





# Highlights

For the 6 months  
to 31 December 2014

# Highlights for the Half Year



## Production

- Production of 2.6 mmboe in line with full year guidance
- Sugarloaf production up 38% over the previous corresponding period
- 2P Reserves + 2C Contingent Resources up 14% to 191.6 mmboe

## Development

- Heavy Lift phase of BassGas MLE completed successfully and under budget
- Plan of Development for Lengo gas field approved
- AAL wellhead platform and FPSO tender plans approved

## Exploration & Appraisal

- Waitsia gas field discovered in Perth Basin and, together with the Senecio gas field, represents gross 2C Contingent Resources of 360 Bcf (AWE share 30 mmboe) with substantial upside potential (3C of 1.3 Tcf gross)

## OHS+E

- No lost time injuries and no reportable environmental incidents

## Corporate

- Sale of 11.25% interest in BassGas for \$85 million completed

**AWE continues to achieve operating milestones and remains focused on growth targets**

# Half year financial performance



<b>Total Production</b>	<b>2.6 mmboe, down 14%</b>
Sales Revenue	\$161.3 million, down 8%
Field EBITDAX	\$88.1 million, down 25%
Statutory NPAT <sup>(1)</sup>	(\$61.7) million
Cash	\$75 million
Drawn debt <sup>(2)</sup>	\$60 million
Net cash	\$15 million
Operating cash flow <sup>(3)</sup>	\$58.8 million, down 35%
Operating cost per BOE <sup>(4)</sup>	\$25.03, up 25%
Average realised oil & condensate price	\$89.52 per barrel, down 21%

(1) NPAT includes \$50.1 million non-cash impairment charges to the carrying values of Tui and Cliff Head projects

(2) Drawn debt of \$60 million from a \$300 million loan facility

(3) Before exploration expenditure of \$30.7 million

(4) Operating cost increase is a result of increased sales volume, and equity, at Tui; and production shut-ins for planned maintenance activity at BassGas, Casino and Cliff Head

**Solid production and financial performance in low oil price environment**

# AWE positioned for low oil prices



## Operations continue to perform well

- Production on track to achieve full year guidance
- Achieving development milestones
- Small team with excellent OHS+E

## Diversified asset portfolio provides optionality

- Ability to prioritise development and exploration
- Gas contracts CPI linked
- Significant gas reserves and resources to be recontracted at higher prices

## Disciplined financial management

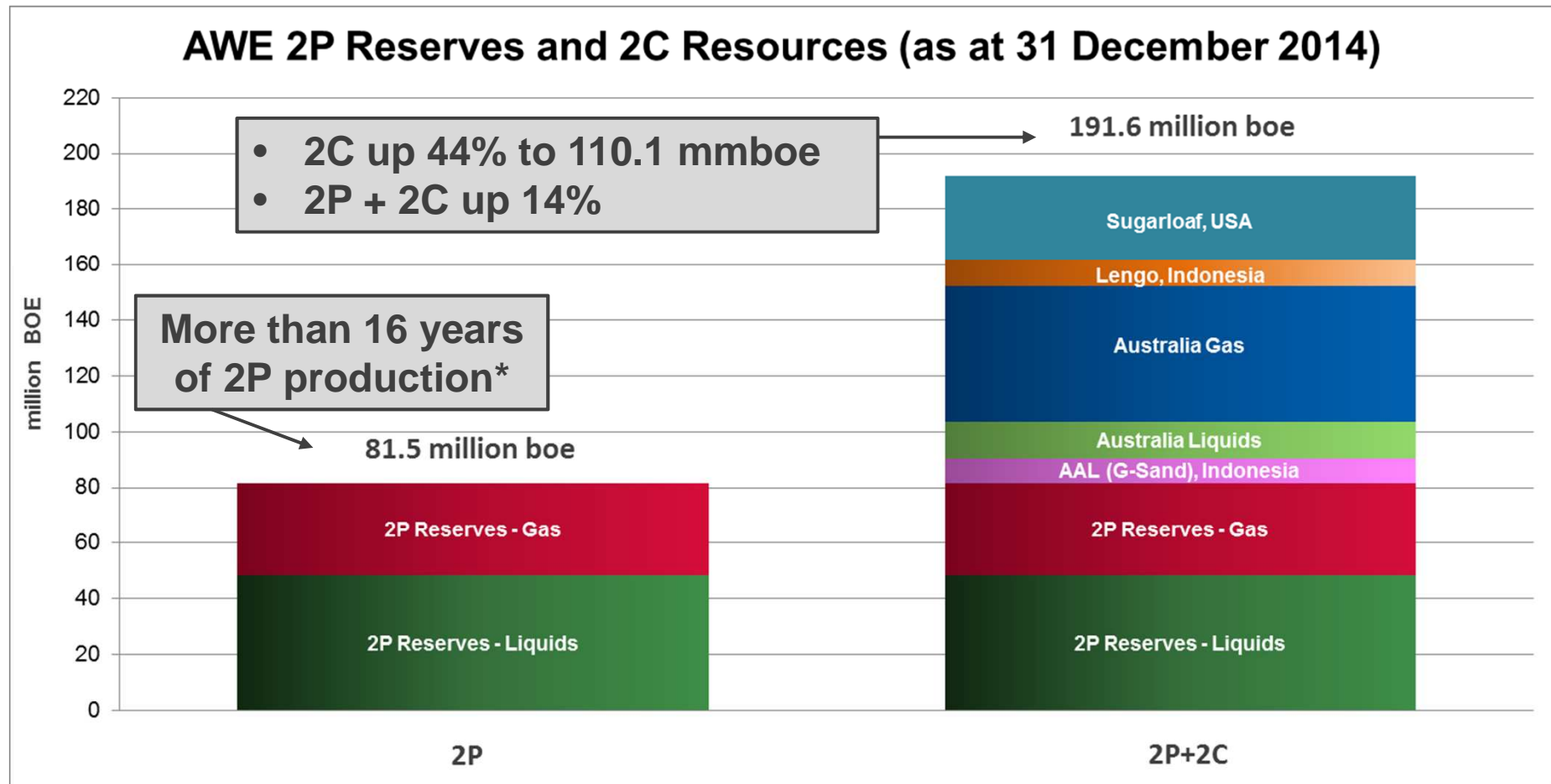
- Focused on reducing costs
- Look to reduce or prioritise future commitments
- Portfolio management
- Maintain robust and flexible balance sheet

AWE's geographic and asset diversity underpins growth strategy

- **Production assets** – while Cliff Head and Tui asset values impacted, production remains economic for all assets at current commodity prices
- **Revenue replacement** – lower oil and condensate revenues to be offset over time by fast track gas developments in high value gas markets
- **Cost reduction** – management focused on reducing corporate overheads, G&A, operational costs
- **Prioritise developments** - fast track development of gas projects to maximise returns over shortest timeframe, e.g. Waitsia
- **Reduce future funding commitments** – look to reduce discretionary spending
- **Portfolio management** – potential to farm out or sell assets to optimise portfolio returns



# Growth in Reserves & Resources



\* Based on nominal annual production of 5.0 million BOE

**Ability to quickly transfer selected 2C Resources into 2P Reserves**

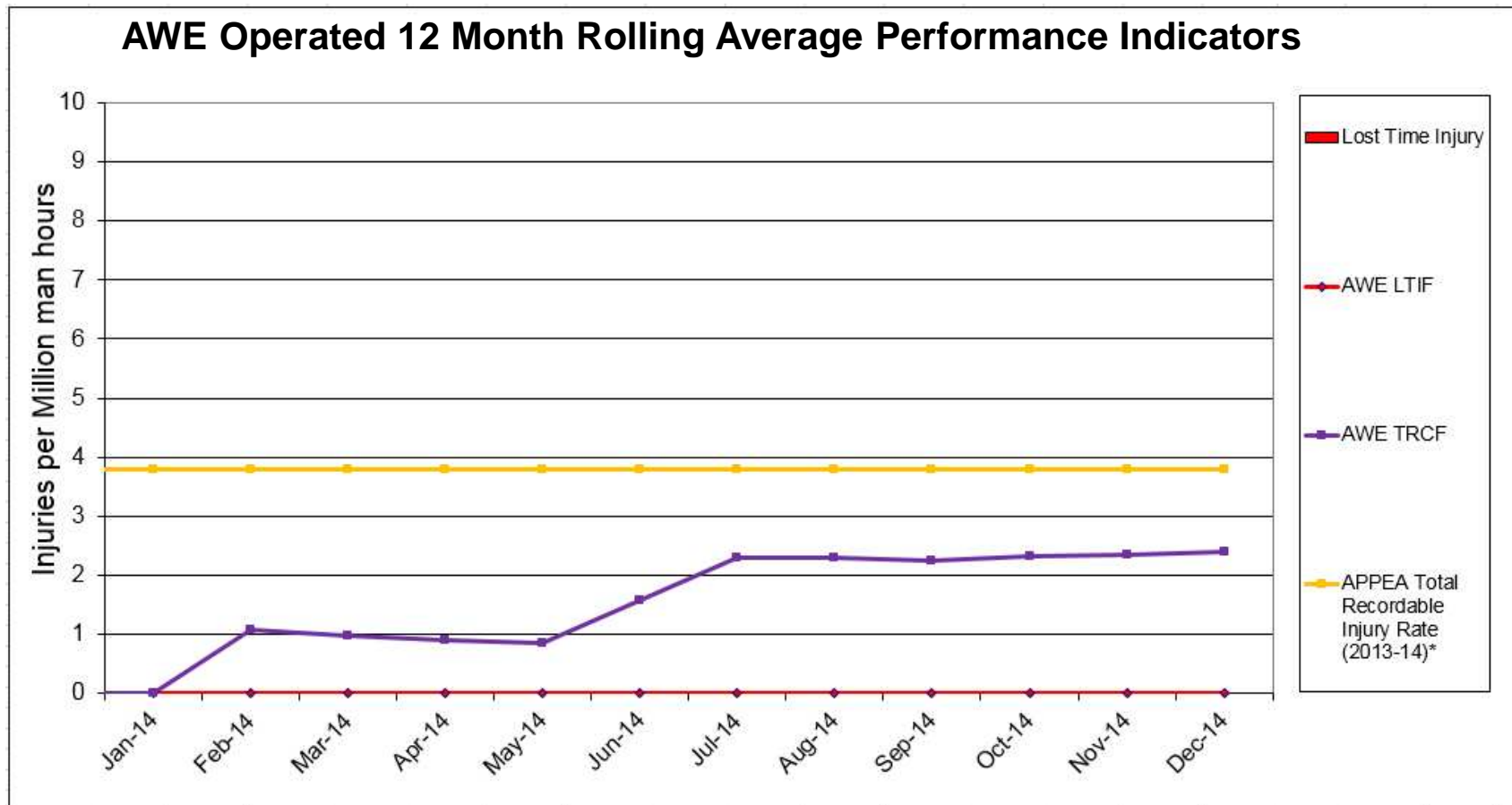
# Active portfolio management



- **Sale of 11.25% of T/L1 (BassGas facility and Yolla field)** and 9.75% of T/18P (Trefoil field) to Prize Petroleum for \$85 million completed in November 2014 and reduced AWE's interest to 35%
- **AWE elected to withdraw from VIC/P67 (La Bella field)** in December 2014 following a review of 3D seismic data and will not participate in the proposed two well program
- In Indonesia, **AWE is proceeding with relinquishing the Anambas PSC** (100%, Operator) and the Titan PSC (40%, Operator)
- **Acquisition of additional 5% of T/18P (Trefoil field)** from Drillsearch for a nominal sum completed in January 2015 and increased AWE's interest to 40%
- In February 2015, **AWE was awarded two offshore blocks in WA**, Block WA-511-P (100%, Operator) in the North Carnarvon Basin and Block WA-512-P (100%, Operator) in the Perth Basin, both with minimal work program commitments

Active portfolio management allows AWE to respond to changing market conditions

# Excellent HSE performance



\* APPEA Total Recordable Injury Rate (2013-2014) is 3.79 injuries per million hours worked, 23% lower than the previous reporting year (which was 4.9).

- No Lost Time Injuries (LTI's) since September 2012
- No reportable environmental incidents during 1H FY2014-15

**Safety and environment focused on reducing potential incidents**

# Guidance maintained for FY2014-15



Key Indicator	Guidance FY2014-15	YTD as at 31 Dec 2014
Production (million BOE)	4.6 – 5.1	2.6
Sales Revenue (\$m)	290 - 320	161
Development Expenditure (\$m)	220 - 250	95
Exploration Expenditure (\$m)	50 - 75	39

Note: Guidance was prepared using a Brent Oil price of USD100 per barrel and AUD/USD of 90 cents

- **Production** on track and expected to be within full year range
- **Sales revenue** expected to be at bottom end of range due to significantly lower oil price
- **Development expenditure** expected to be within range
- **Exploration expenditure** expected to be at the upper end of range (fast track Waitsia appraisal)

**AWE remains on track to meet full year guidance**



# Financial Performance

For the 6 months  
to 31 December 2014



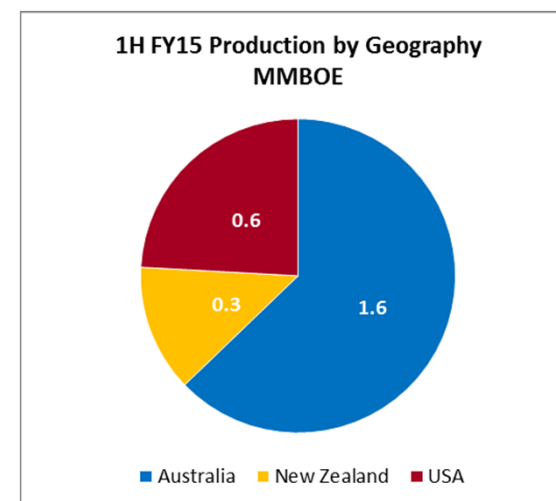
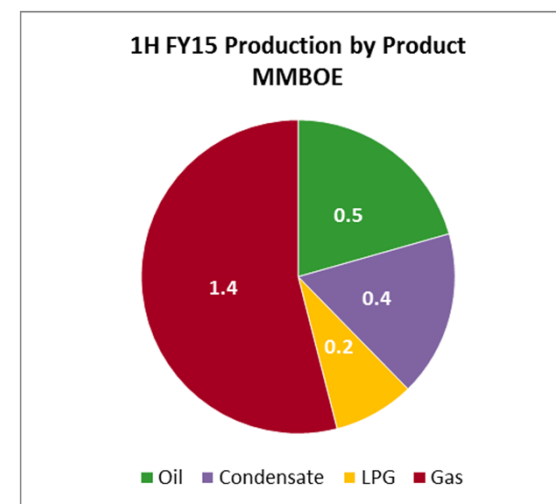
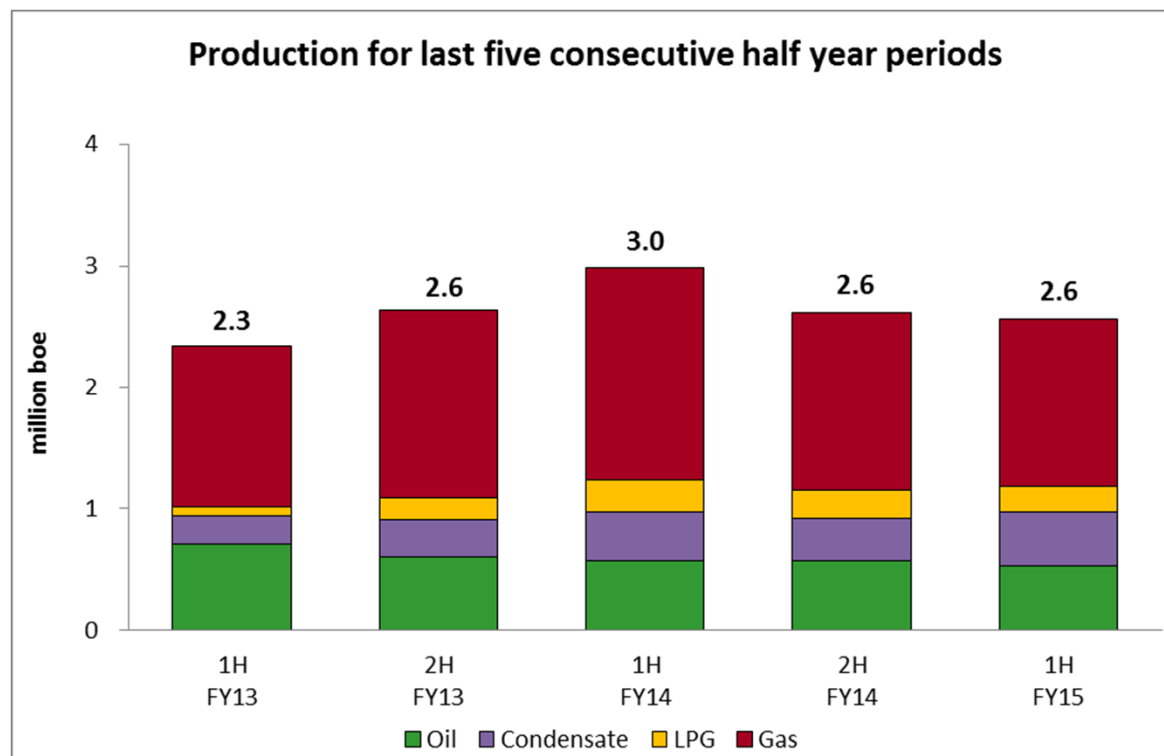
# Non-cash impairments

Oil producing asset	Non-cash impairment before tax	Non-cash impairment after tax
Cliff Head Oil Project	\$25.2 million	\$10.6 million
Tui Area Oil Project	\$67.4 million	\$39.5 million
<b>TOTAL</b>	<b>\$92.6 million</b>	<b>\$50.1 million</b>

- The level of non-cash impairments was determined after a review of asset carrying values in the current lower oil price environment
- AWE has used Brent oil price estimates of US\$59/bbl in 2015, US\$65/bbl in 2016, US\$82/bbl in 2017 and US\$96/bbl in 2018, and an independent long term oil price forecast thereafter
- Exchange rates of AUD/USD 0.81 was applied in 2015, and AUD/USD 0.80 thereafter

Carrying values for other oil and condensate producing assets were unaffected

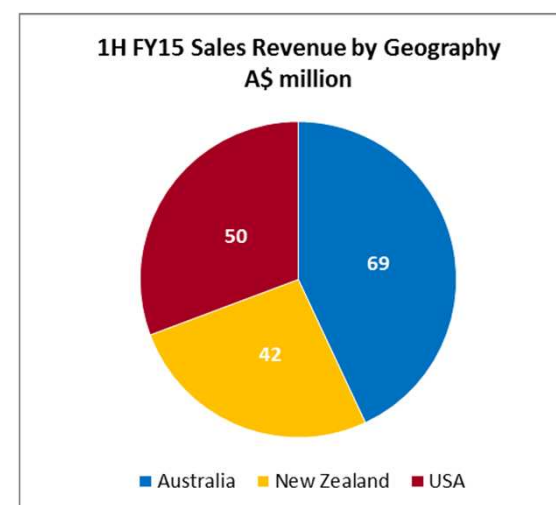
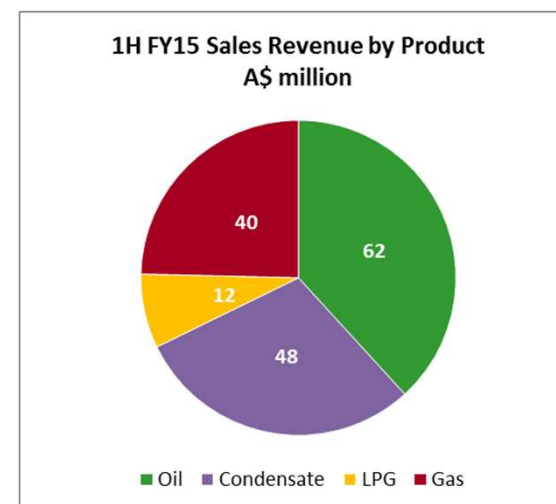
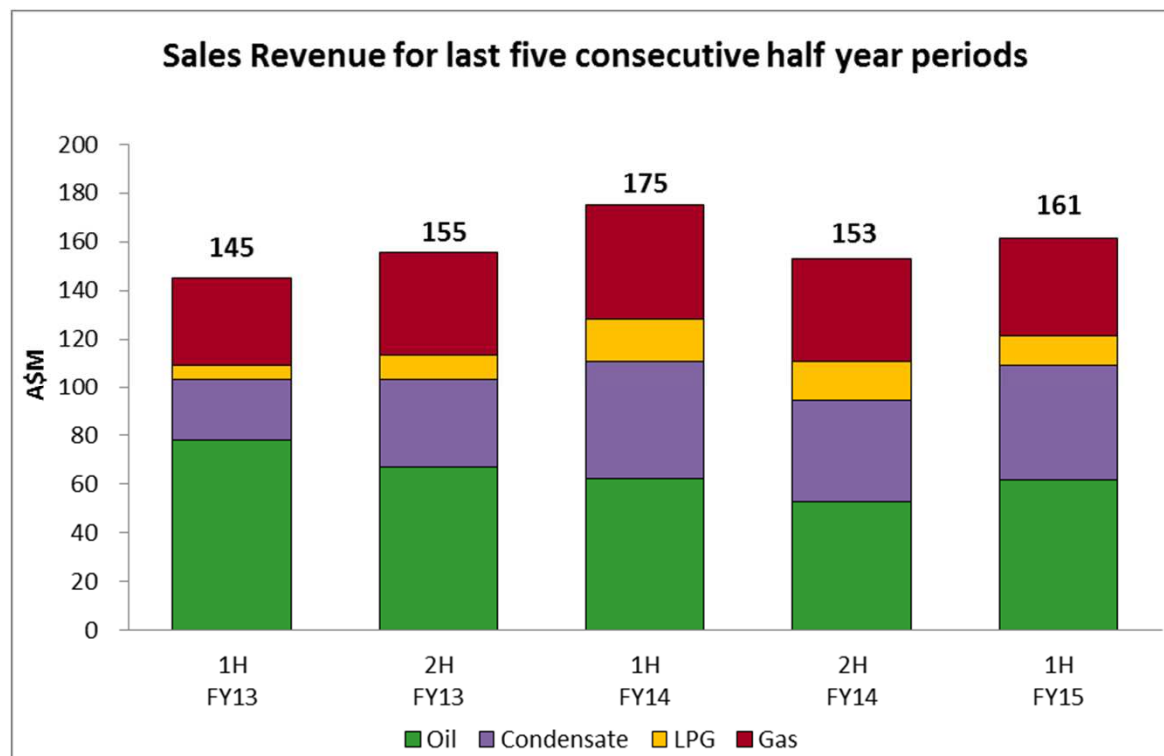
# Total production



Note: Numbers may not add due to rounding

**1H FY 2014-15 production in line with full year guidance**

# Sales revenue

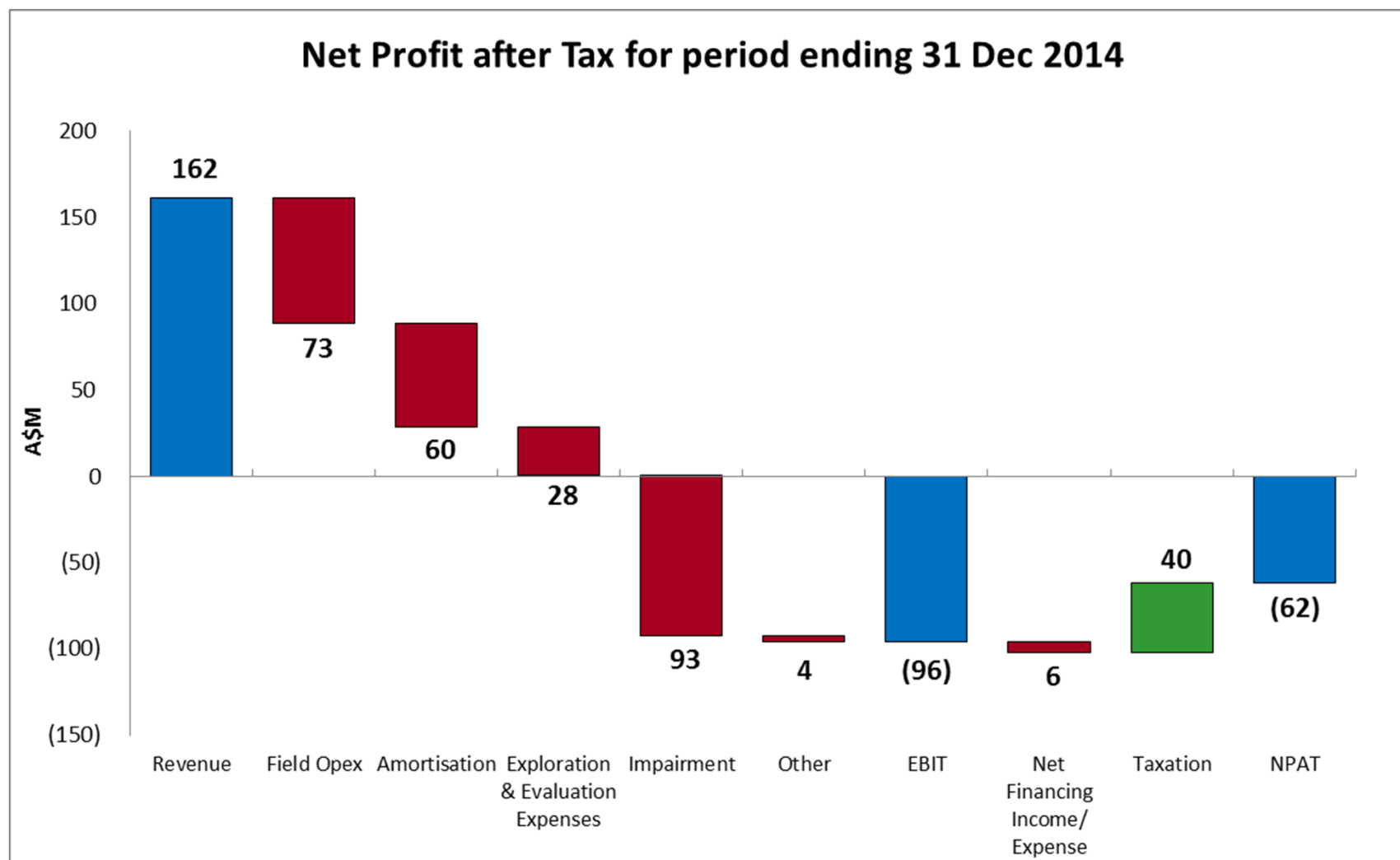


Note: Numbers may not add due to rounding

**Sales revenue in 1H FY 2014-15 impacted by lower oil price**



# Earnings analysis



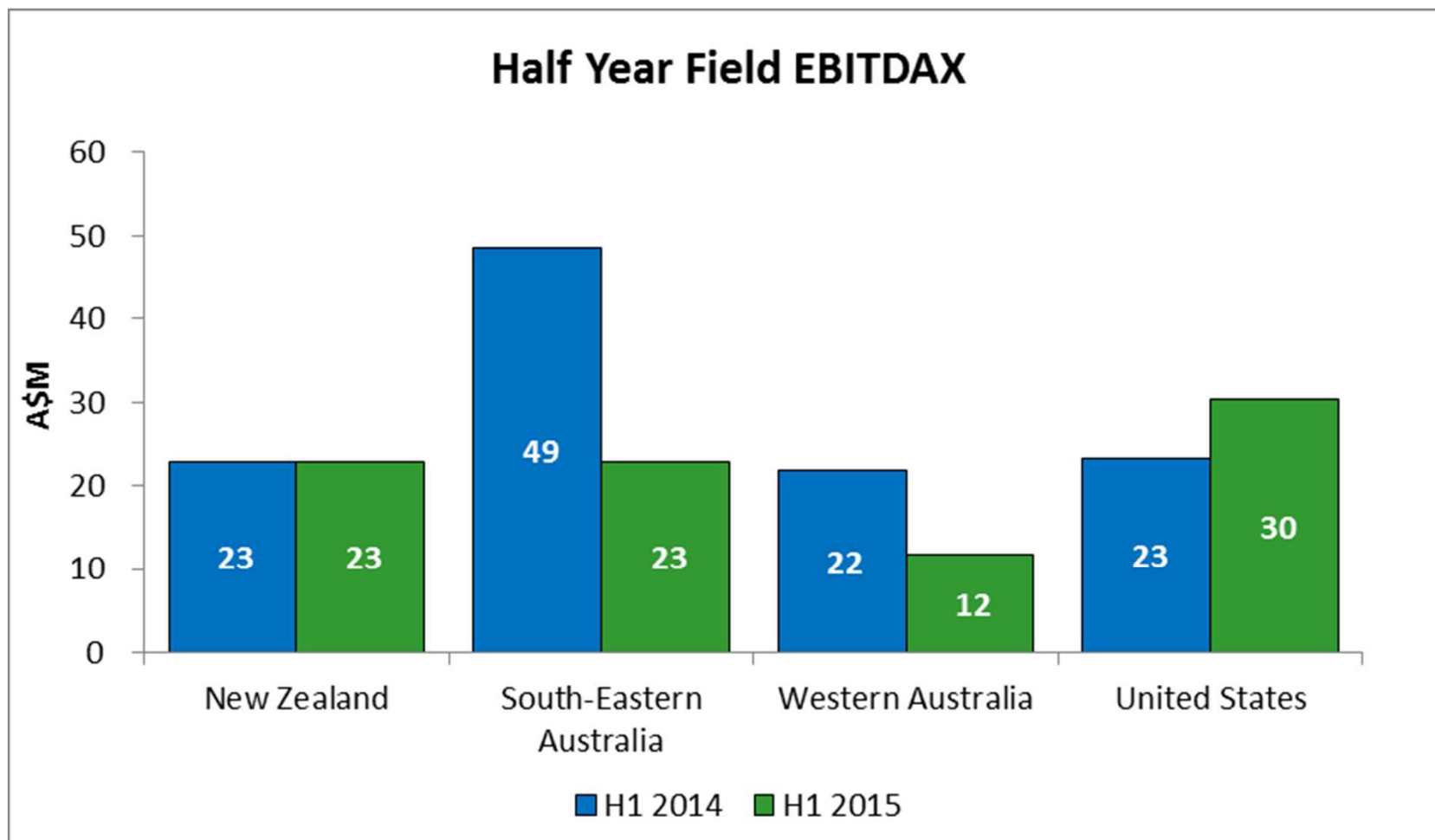
Impairment of producing oil assets a result of lower oil price

# Underlying profit reconciliation

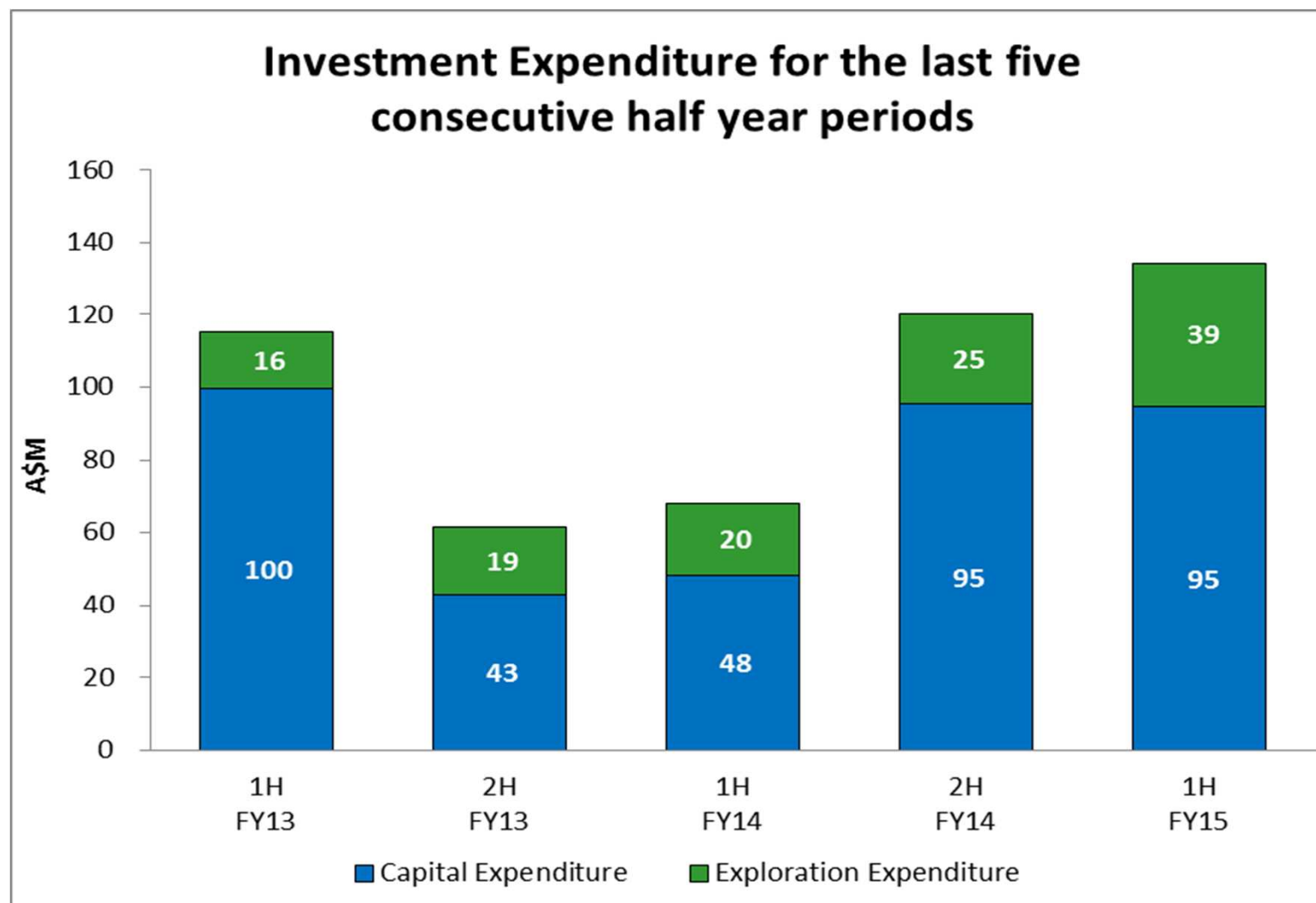


	Half Year to Dec 2014 \$ million	Half Year to Dec 2013 \$ million
<b>Statutory NPAT</b>	<b>(61.7)</b>	<b>81.7</b>
Adjusted for:		
Impairment of oil and gas assets	50.1	-
Gain on completion of sale of interest in BassGas	(2.3)	
Gain on sale of 50% interest in Northwest Natuna PSC	-	(75.5)
Restructuring costs in relation to Jakarta office	-	3.5
Write off of capitalised borrowing costs due to refinancing	-	1.1
<b>Underlying NPAT <sup>(1)</sup></b>	<b>(13.9)</b>	<b>10.8</b>
Note (1): Includes exploration expense of	27.8	17.6

Underlying profit impacted by 21% reduction in realised oil price



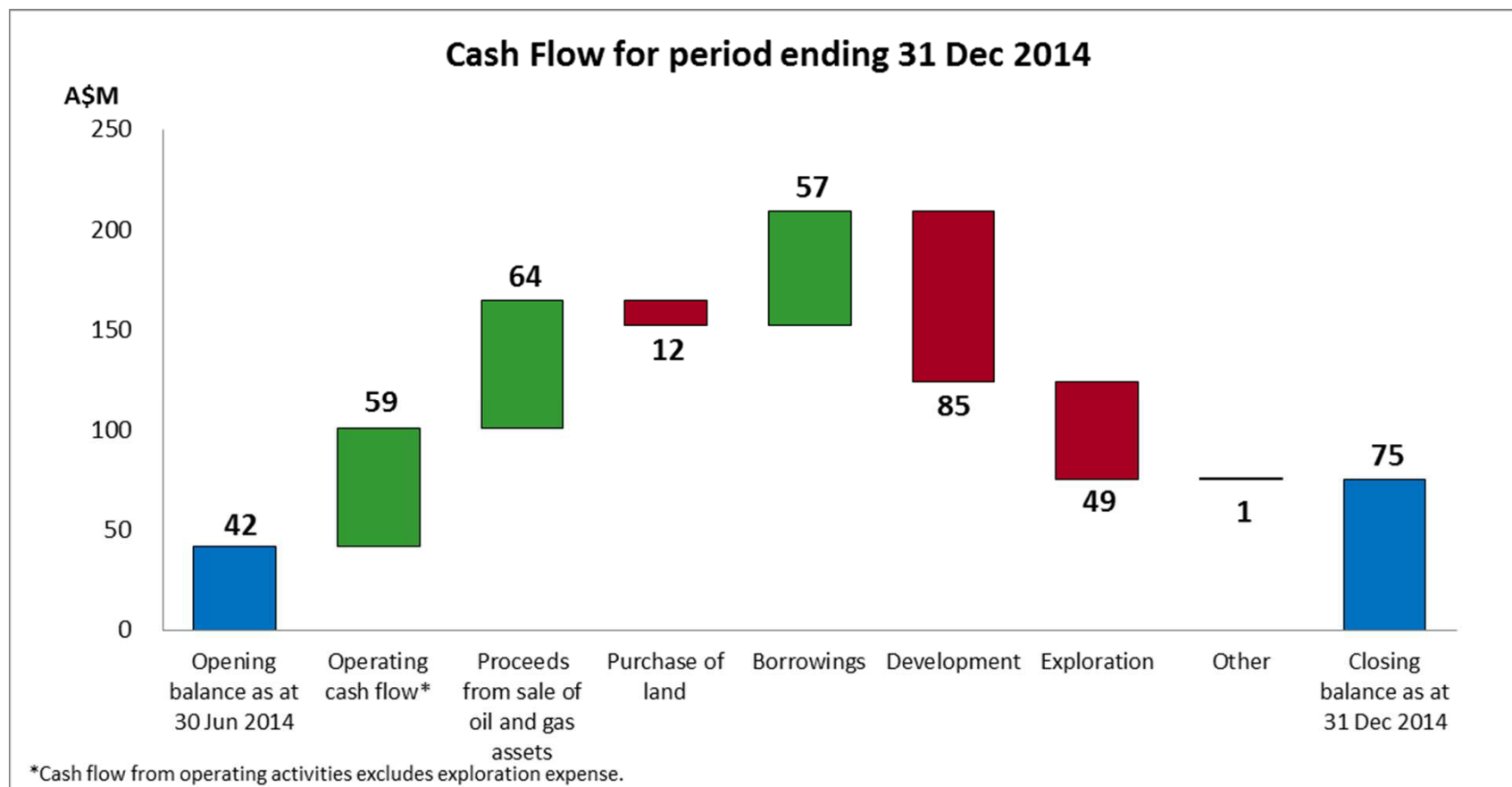
Diverse portfolio of assets contributing to EBITDAX



Development and exploration expenditure in line with forecasts

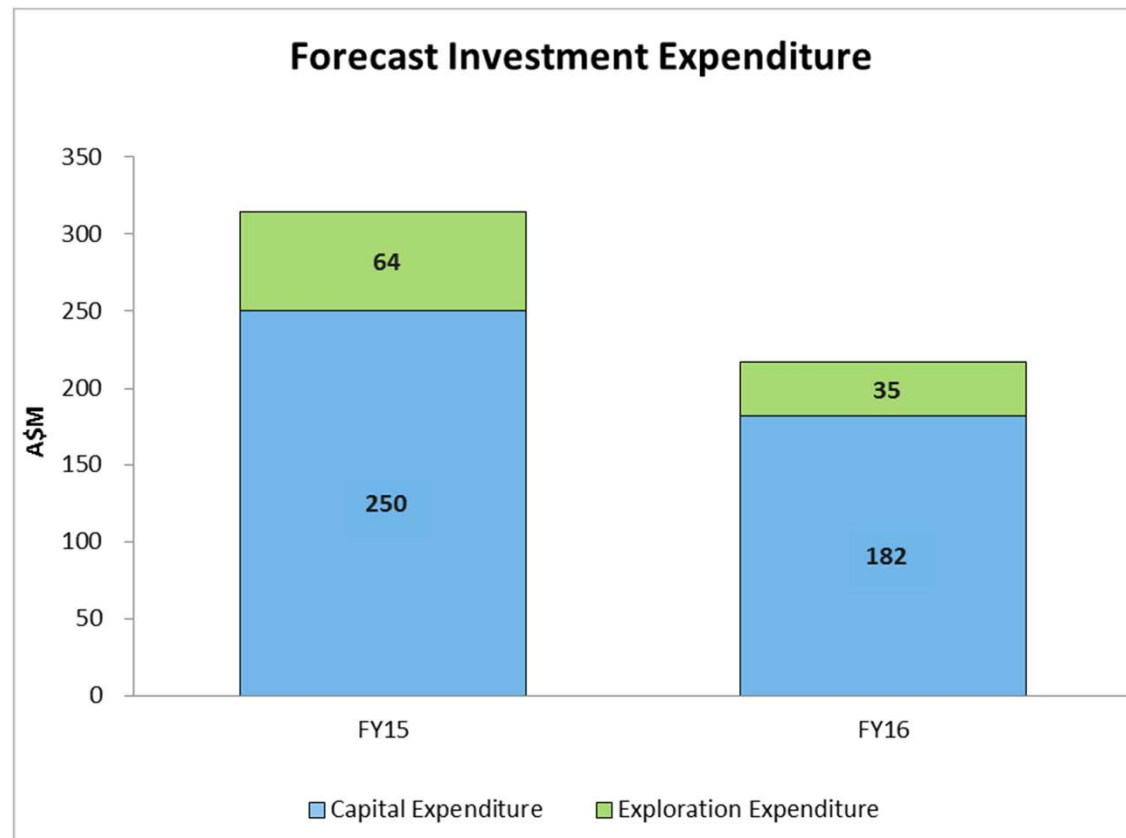


# Cash flow analysis



Cash flow impacted by lower revenues during period of higher investment spend

# Balance sheet management



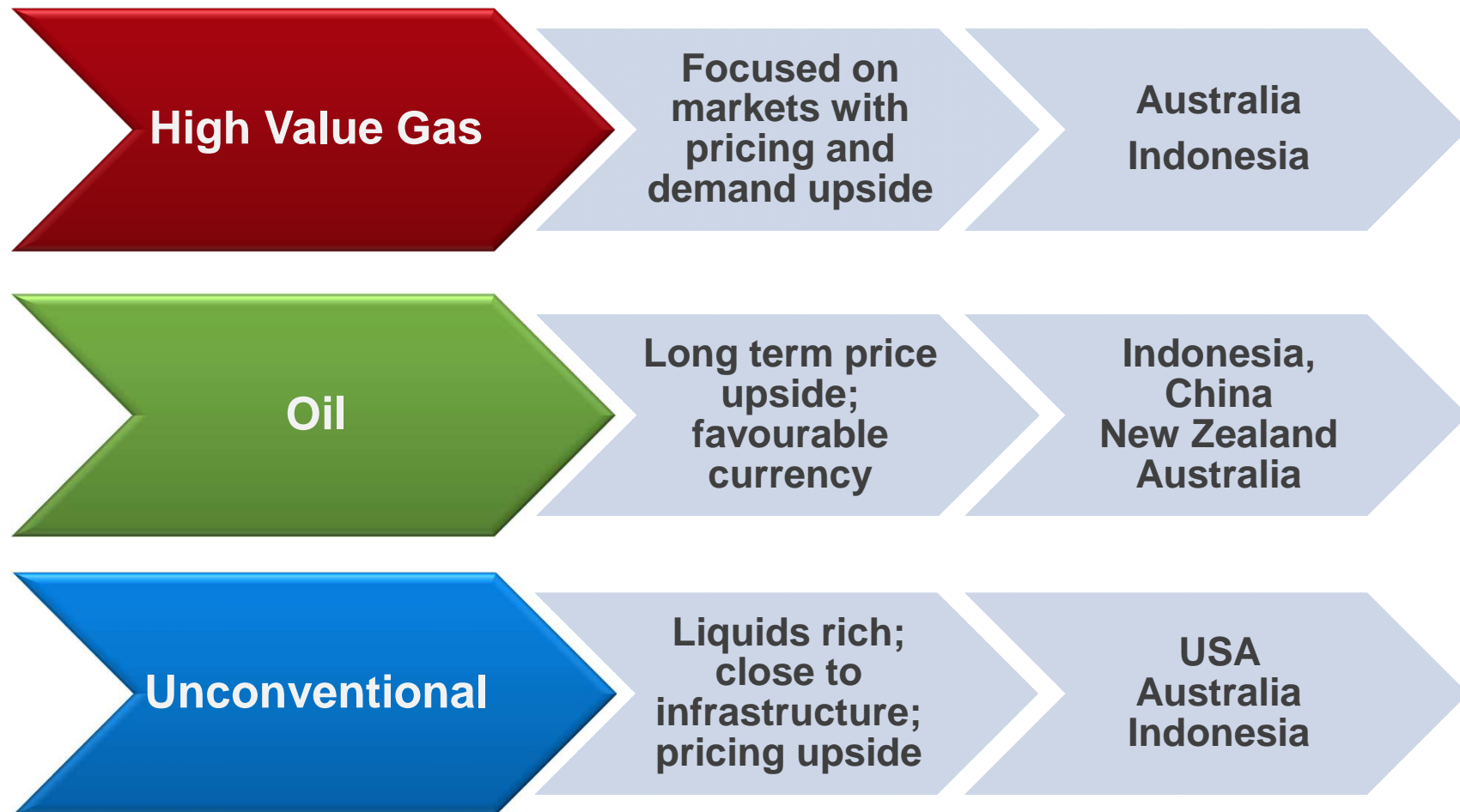
- 30% reduction in FY2016 forecast investment expenditure
- Reduced discretionary spending on exploration
- Solid operating cash flows to fund future capital commitments
- Low gearing
- Prioritise developments
- Focus on cost reduction
- Flexibility to release capital via portfolio management

**Focused on disciplined financial management to fund business activities**

# Strategy Update

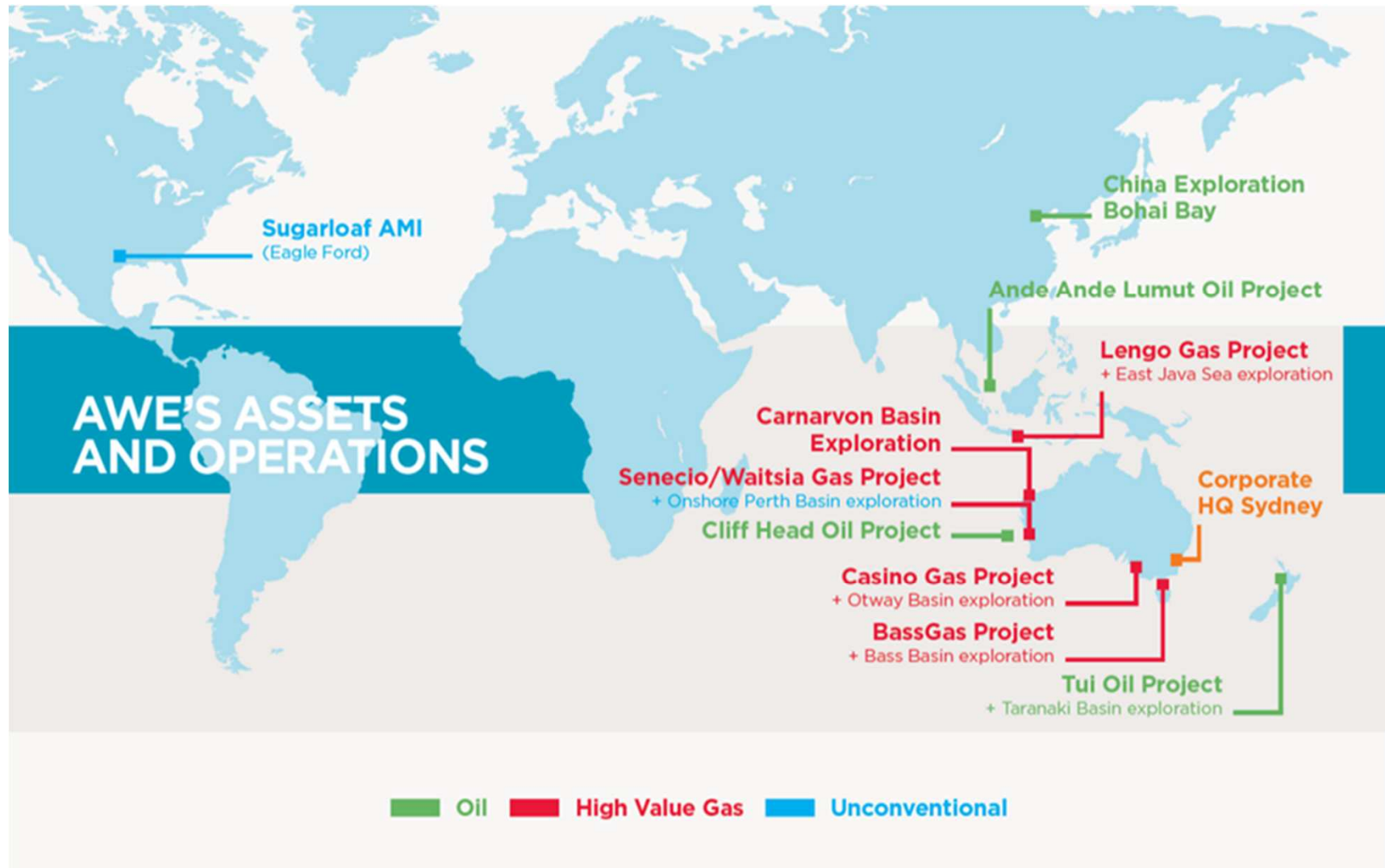


# Strategy built on 3 core platforms

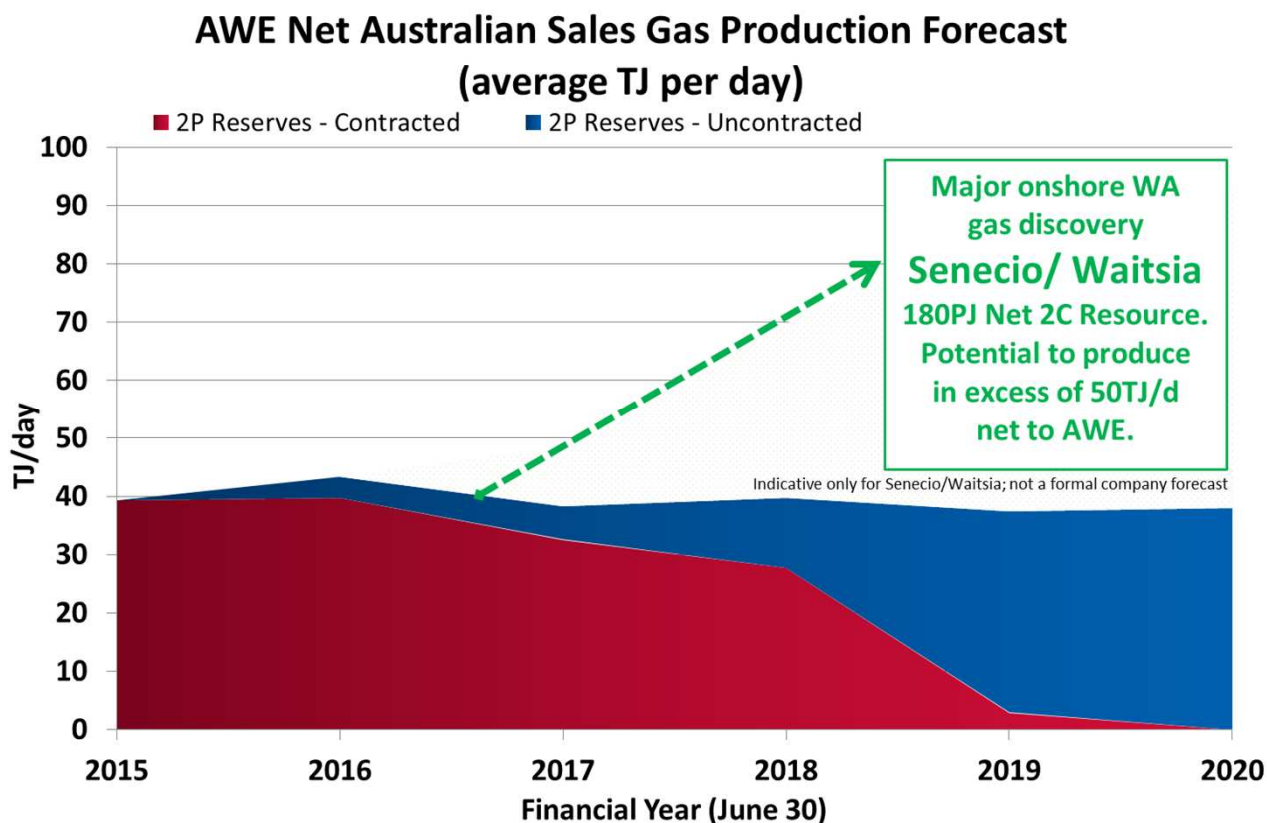




# Geographic spread reflects market focus AWE



# AWE targeting high value gas markets



## Substantial uncontracted domestic gas position

- Industry experts forecast the domestic gas price to rise over the next 5-10 years
- Two-thirds of AWE's Australian 2P gas reserves are uncontracted
- 100% of AWE's Australian 2C gas resources exposed to higher gas price environment

**Recontract both Otway and Bass basin production within the next 2 years**

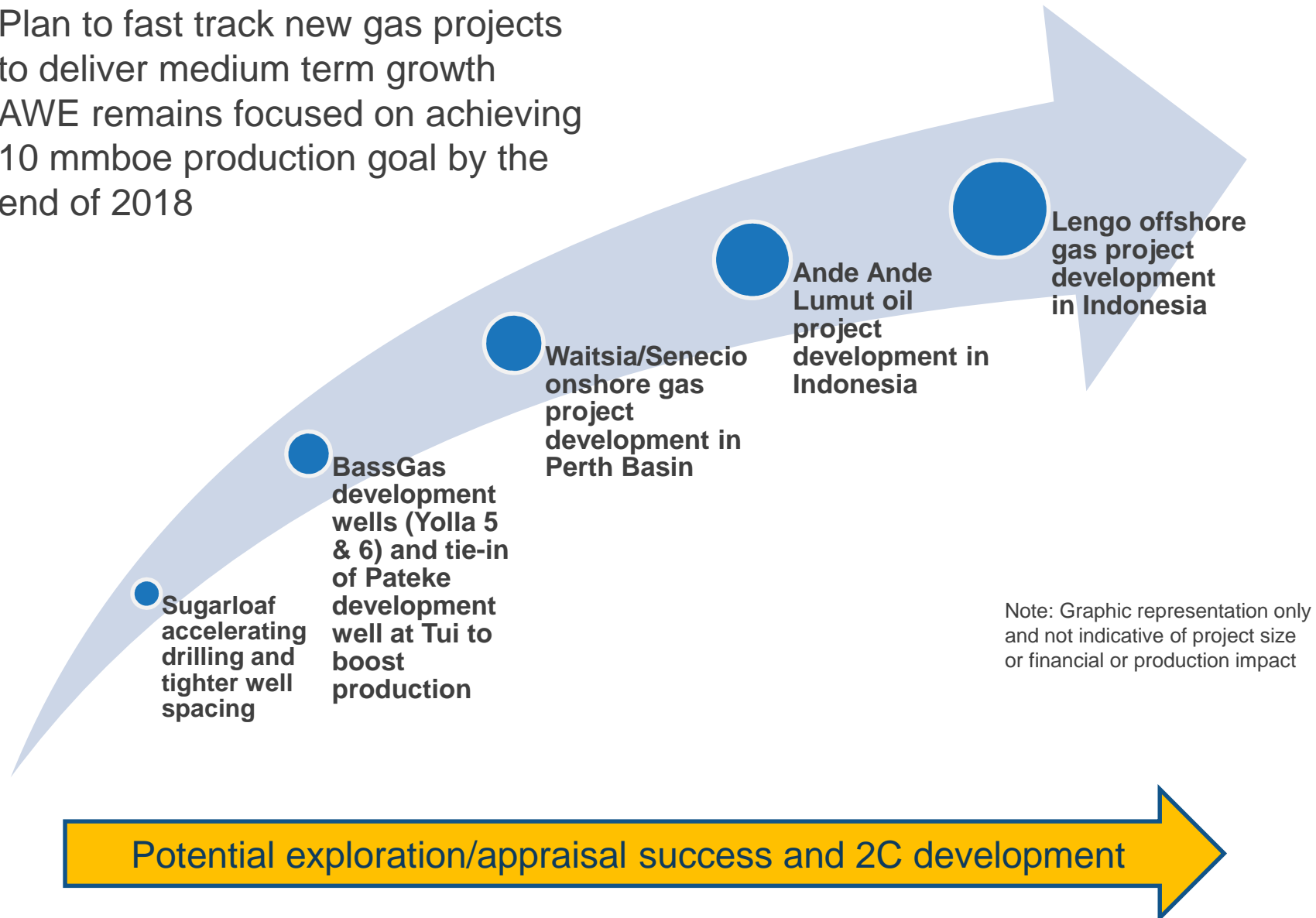
# Prioritising development projects



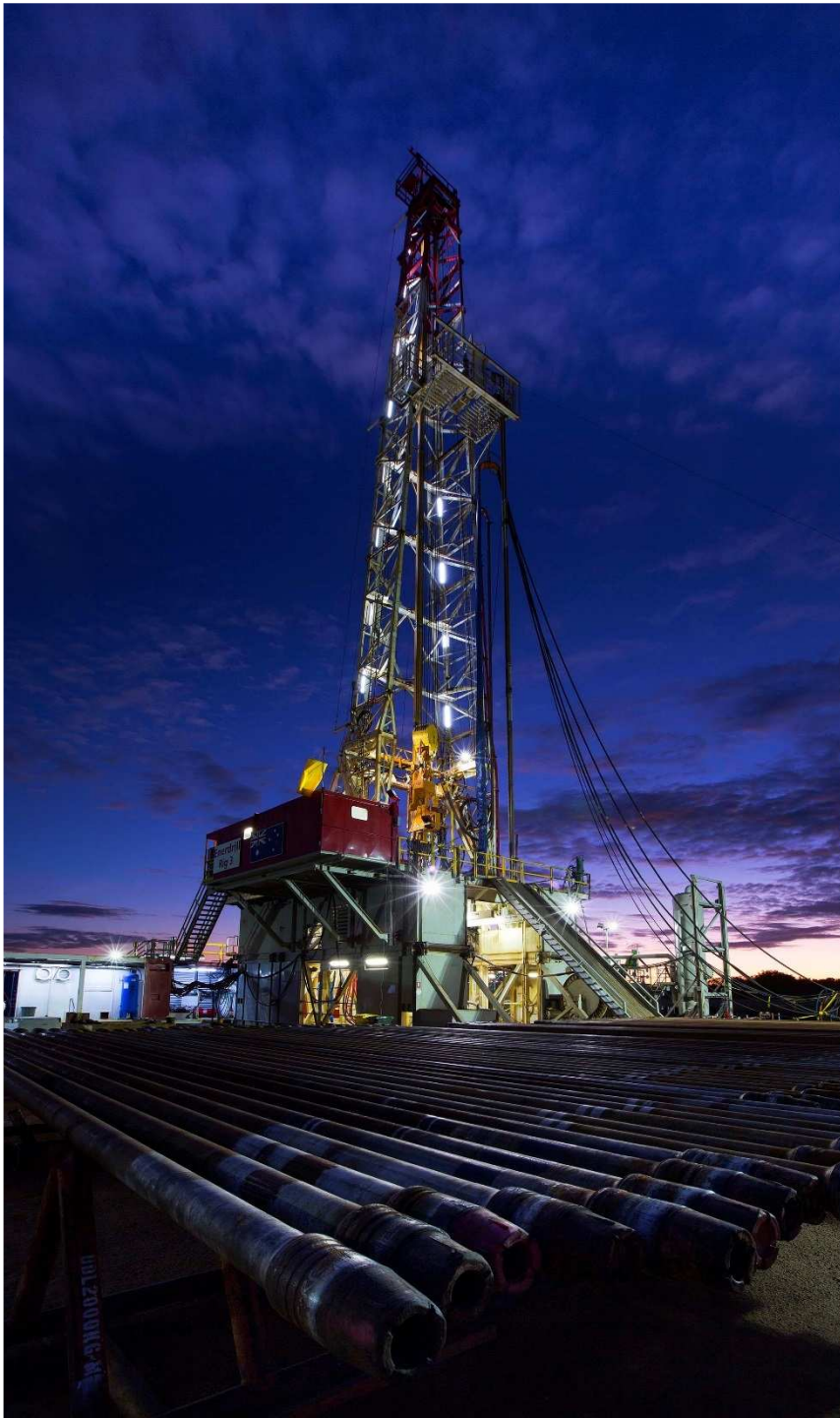
- Complete current commitments – BassGas MLE development drilling and tie-in of Pateke-4H well at Tui
- Fast track development of Waitsia conventional gas field and Senecio tight gas field in the Perth Basin – target early production through existing facilities
- Progress AAL wellhead platform and FPSO tender processes in CY 2015
- Focus on further reducing drilling costs at Sugarloaf, anticipate similar drilling program in CY 2015
- Progress Lengo gas field development in Indonesia

# High value gas projects prioritised

- Plan to fast track new gas projects to deliver medium term growth
- AWE remains focused on achieving 10 mmboe production goal by the end of 2018



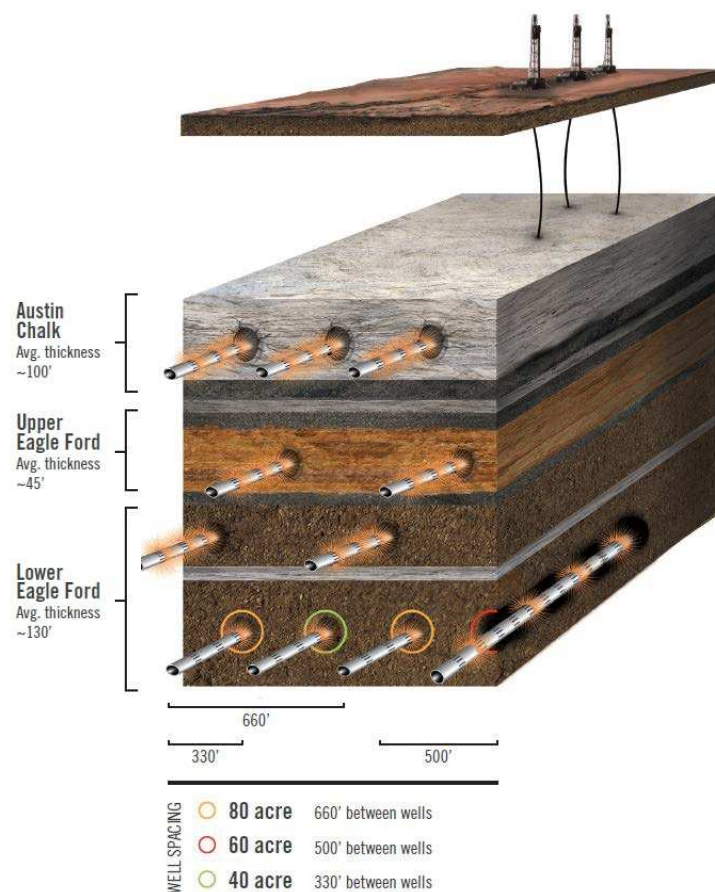
# Growth Projects





# More upside at Sugarloaf

## Eagle Ford horizontal and vertical well spacing



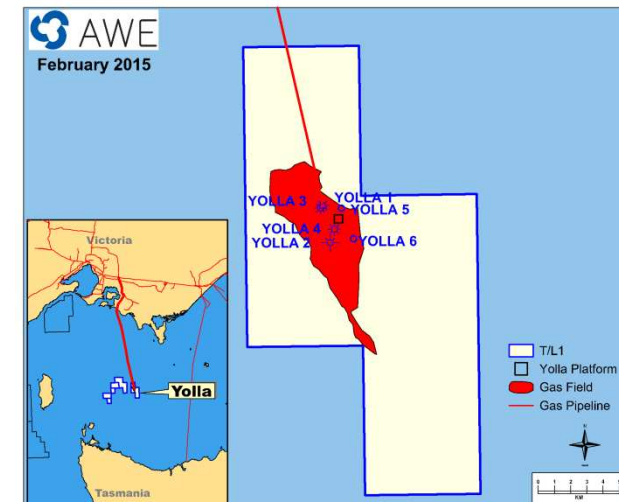
Source: Baytex Energy Corp., February Corporate Presentation, 2015

- Production from Sugarloaf up 38% compared to previous corresponding period
- At 31 Dec 2014, 187 wells were producing with a further 36 wells in various stages of drilling and completion
- Operator focused on further cost reductions, targeting gross well costs of USD6.3m per well
- Sugarloaf is a liquids-rich sweet spot in the Eagle Ford and provides good returns, even at current low oil prices - AWE anticipates similar number of wells to be drilled in CY 2015
- 2C increased by 128% to 30.1 mmboe – well spacing reduced from 60 acre to 40 acre in the Austin Chalk
- Independent review of Eagle Ford and Austin Chalk Reserves and Resources planned for 1H CY 2015

**Sugarloaf continues to create value, even in current low oil price environment**

# BassGas MLE on track

- Heavy lift phase successfully completed under budget in December
- Tie-in and commissioning of gas compression and condensate pumping modules to start mid 2015
- Drilling of 2 development wells (Yolla 5 and 6) to commence end of February (est. capex net \$75 million to AWE)
- Platform estimated to be shut-in for cumulative 20 days during rig operations over drilling period
- Targeting increased production to system capacity of 67 TJ/day gross
- Increased holding in T/18P (Trefoil) to 40%

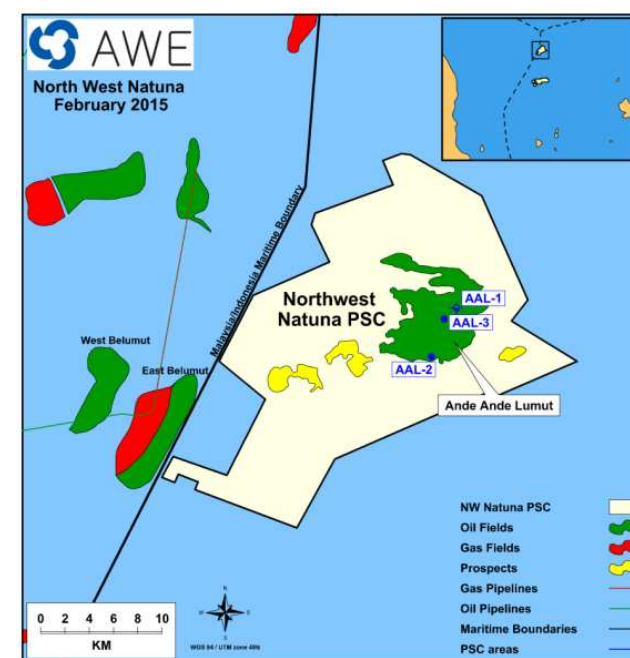


Access to gas price growth in eastern states, will recontract gas over next 12-24 months



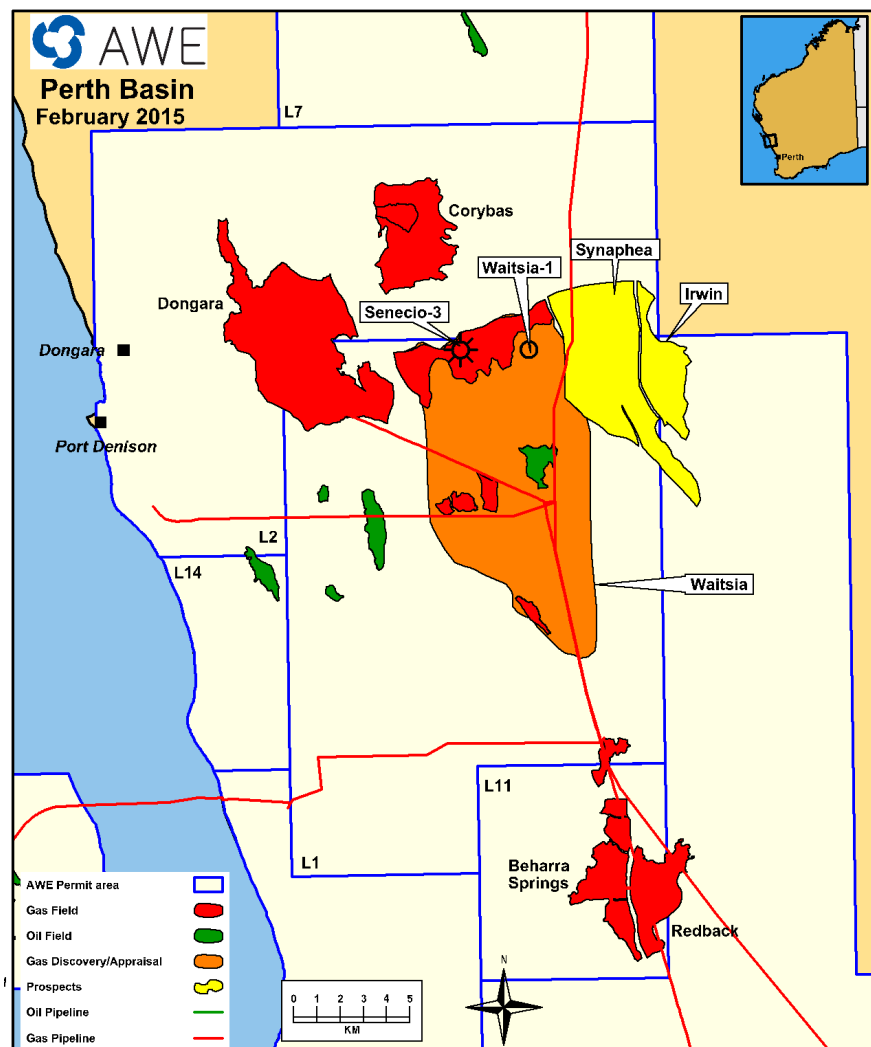
# AAL moves into tendering phase

- FPSO and wellhead platform tender plans approved by Indonesian government
- Progress AAL wellhead platform and FPSO tendering processes in CY2015
- Operator advised that it will not proceed with G-sand appraisal well in CY2015
- Operator proposes delaying FID for the project to 2H CY2016 with first oil in 2018
- Additional exploration prospects in PSC acreage



AAL well positioned to take advantage of expected oil price increases

# Waitsia early development potential



- Early conventional gas development opportunity – close to existing gas plant and pipeline infrastructure
- Potential low cost development in strong WA domestic market – gas marketing has commenced
- Conventional flow testing of Senecio-3 well (Senecio and Waitsia) in progress
- Waitsia-1 appraisal well planned for May/June 2015, with Waitsia-2 planned for the second half of CY 2015
- Irwin-1 (EP320) exploration well planned to commence late March and will target Dongara/Wagina and Kingia/HCSS formations

Fast tracking further appraisal may lead to early conventional development

# Senecio and Waitsia – initial volumes



**Table 1. Initial gross 2C Contingent Resources estimates for the Senecio and Waitsia Fields**

Field	Reservoir Interval	Original Gas in Place (Bcf)			Recoverable (Bcf)		
		P90	P50	P10	P90	P50	P10
<b>Senecio</b>	Dongara/Wagina	86	148	246	40	<b>70</b>	130
<b>Waitsia</b>	Kingia/High Cliff Sandstone	115	489	1961	65	<b>290</b>	1170

**Table 2. Initial gross Prospective Resources estimates for the Waitsia Field**

Prospects	Reservoir Interval	Original Gas in Place (Bcf)			Recoverable (Bcf)		
		P90	P50	P10	P90	P50	P10
<b>Waitsia</b>	Irwin River Coal Measures	228	810	2813	114	<b>420</b>	1497
	Carynginia Shale	Not yet determined					

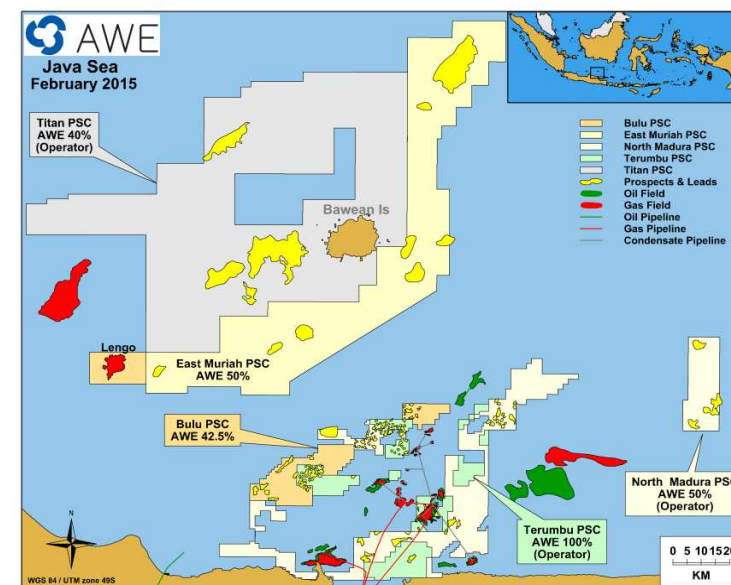
**Senecio and Waitsia represent a combined net 180 Bcf 2C Resource to AWE**

# Lengo achieves POD approval



## Lengo Gas Project

- Indonesian government has approved the Plan of Development for the Lengo gas project, located in the Bulu PSC offshore East Java
- Operator (KrisEnergy) preparing to pursue formal negotiations for gas sales agreements
- AWE currently estimated 200 Bcf recoverable sales gas with good proximity to strengthening gas market on East Java



Operator pursuing development for Lengo gas project





# Outlook

# Looking ahead – near term catalysts



- **Exciting developments in the onshore Perth Basin**
  - *Conventional flow test of Senecio-3 well targeting Kingia and HCSS (Waitsia gas field)*
  - *Two new appraisal wells planned for Waitsia field in CY 2015*
  - *Irwin-1 exploration well planned for 1H CY2015 targeting Dongara/Wagina and deeper formations*
- **BassGas development drilling – two well program**
  - *Drilling two wells to access undeveloped reserves to commence in 1Q 2015*
- **Sugarloaf production expected to increase over the remainder of FY2014-15**
  - *More wells coming online delivering increased production; Austin Chalk gaining momentum*
- **Tie-in of Pateke-4H well to Tui oil field**
  - *Work to commence in 1Q CY2015; production from Pateke-4H anticipated 2Q CY2015*
- **Ande Ande Lumut oil project**
  - *Progress FPSO and wellhead platform tendering processes*
- **Lengo gas field Plan of Development (POD)**
  - *POD approved by government; preparing to pursue formal negotiations for gas sales*

Prioritise and progress delivery of growth assets from current portfolio

- **Highlights:** Continued to achieve major milestones across the business  
Production on track to meet guidance  
Sugarloaf up 38% on pcg  
2P Reserves + 2C Resources increased by 14%
- **Financial:** Focused on reducing costs and prioritising investments  
Maintain robust and flexible balance sheet  
Actively managing our asset portfolio
- **Operations:** Strong focus on Health, Safety and Environment  
Production assets continued to perform well  
High levels of development and exploration drilling activity  
Significant gas reserves to be recontracted at higher prices
- **Growth Projects:** In place, substantial size and gaining momentum  
Prioritising gas assets in response to lower oil prices
- **Future Direction:** Clear goal and growth strategy in place  
Focused on achieving 10mmboe production by end of 2018



# Questions



# Appendix

Half year financials and  
supplementary information



# Half year production



REGION AND ASSET	AWE SHARE	1H 2014-15 PRODUCTION	1H 2013-14 PRODUCTION	CHANGE
<b>Australia</b>		<b>(‘000 BOE)</b>	<b>(‘000 BOE)</b>	<b>%</b>
BassGas Project (Bass Basin)	35%	622	1,076	-42%
Casino Gas Project (Otway Basin)	25%	579	699	-17%
Cliff Head Oil Project (Perth Basin)	57.5%	192	247	-22%
Onshore Perth Basin*	33-100%	220	206	6%
<b>New Zealand</b>				
Tui Oil Project* (Taranaki Basin)	57.5%	336	322	4%
<b>USA</b>				
Sugarloaf AML (Eagle Ford, Texas)	10%, net ~7.5%	606	438	38%
<b>TOTAL (‘000 BOE)</b>		<b>2,556</b>	<b>2,988</b>	<b>-14%</b>

\*Denotes Operatorship (not all Perth Basin assets operated)

**Half year production comprised 54% gas and 46% liquids**

# Half year earnings breakdown



	Half Year to Dec 2014 \$ million	Half Year to Dec 2013 \$ million
Sales Revenue	161.3	175.4
Operating Costs	(73.2)	(58.5)
Amortisation	(60.3)	(65.3)
Exploration costs expensed	(27.8)	(17.6)
Asset impairments/reversals	(92.6)	-
Net other	(9.4)	77.5
<b>Profit/(Loss) before tax</b>	<b>(102.0)</b>	<b>111.4</b>
Tax (expense)/benefit	40.3	(29.7)
<b>Statutory net profit/(loss) after tax</b>	<b>(61.7)</b>	<b>81.7</b>



# Half year segmental reporting



\$ millions	Total	New Zealand	South-East Australia	Western Australia	USA	Exploration
Sales revenue	161.3	42.4	41.3	28.0	49.5	-
Production costs and royalties	(73.2)	(19.4)	(18.4)	(16.3)	(19.1)	-
<b>Net field contribution</b>	<b>88.1</b>	<b>23.0</b>	<b>22.9</b>	<b>11.7</b>	<b>30.4</b>	-
Amortisation	(60.3)	(21.0)	(19.5)	(7.4)	(12.4)	-
Impairment	(92.6)	(67.4)	-	(25.2)	-	-
Exploration expenses	(27.8)	-	-	-	-	(27.8)
<b>Segment Profit</b>	<b>(92.7)</b>	<b>(65.4)</b>	<b>3.4</b>	<b>(20.9)</b>	<b>18.0</b>	<b>(27.8)</b>
Unallocated income/(expenses)	(9.4)					
<b>Net profit before tax</b>	<b>(102.0)</b>					

# Half year cash flow analysis



	Half Year to Dec 2014 \$ million	Half Year to Dec 2013 \$ million
<b>Opening cash</b>	<b>42.1</b>	<b>41.1</b>
Net cash flow from operations*	28.1	72.9
Asset acquisitions (Tui)	-	(7.2)
Proceeds from sale of oil and gas assets	64.0	101.4
Development spending	(85.2)	(41.1)
Purchase of land and buildings	(12.2)	-
Exploration spending initially capitalised	(18.1)	(9.1)
Proceeds/repayment of borrowings	56.8	(80.1)
Other	(0.6)	0.1
<b>Closing cash</b>	<b>75.0</b>	<b>77.9</b>

\* includes exploration and evaluation costs (30.7) (17.8)

# Balance Sheet summary



Balance sheet item	As at 31 Dec 2014 \$ million	As at 31 Dec 2013 \$ million	As at 30 Jun 2014 \$ million
<b>Assets</b>			
Cash and cash equivalents	75.0	77.9	42.1
Receivables and inventory	177.9	139.8	139.9
Exploration and evaluation assets	124.4	114.0	109.3
Oil and gas assets	819.3	856.5	802.1
Assets held for sale	-	-	84.3
Land and buildings	12.2	-	-
Other assets	2.6	1.5	1.9
Net deferred tax assets	65.4	17.8	23.0
<b>Liabilities</b>			
Trade and other payables	98.2	61.8	90.9
Taxes payable/(refundable)	0.8	12.9	(0.2)
Loan facility drawdown	59.9	-	-
Provisions	165.6	157.1	156.0
Other liabilities	2.3	2.0	14.6
<b>Net assets</b>	<b>949.9</b>	<b>973.6</b>	<b>941.2</b>

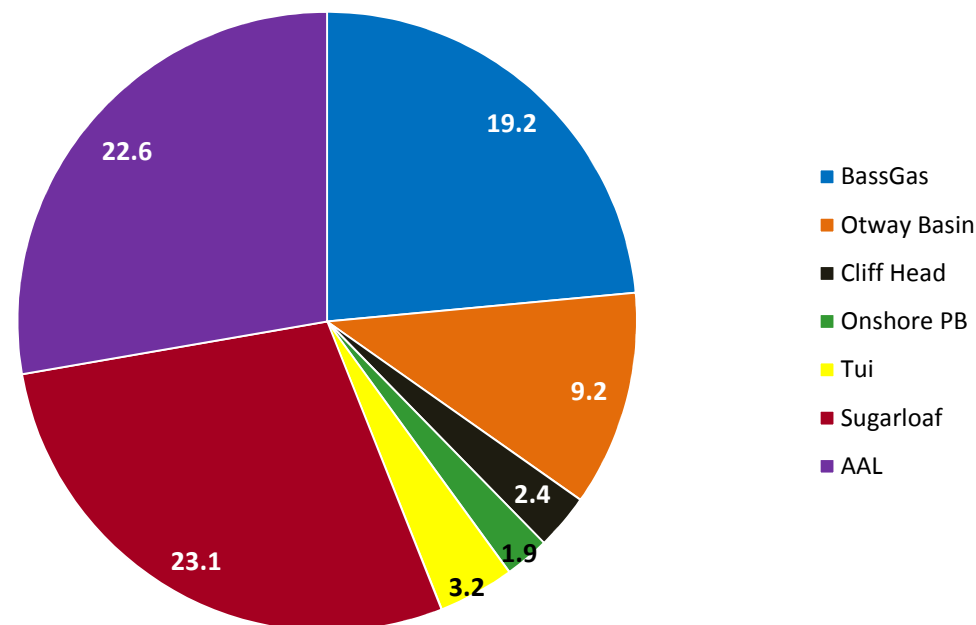
Focused and disciplined approach to financial management reflected in balance sheet



# AWE 2P Reserves as at 31 December 2014



<u>Project/Area</u>	<u>Equity</u>	<u>2P Reserves (million boe)</u>
BassGas	35.0%	19.2
Otway Basin	25.0%	9.2
Cliff Head	57.5%	2.4
Onshore PB	33-100%	1.9
Tui	57.5%	3.2
Sugarloaf	~7.5%*	23.1
AAL	50%	22.6
<b>Total</b>		<b>81.5</b>



\* Net Revenue Interest, post Royalty (Working Interest 10%)

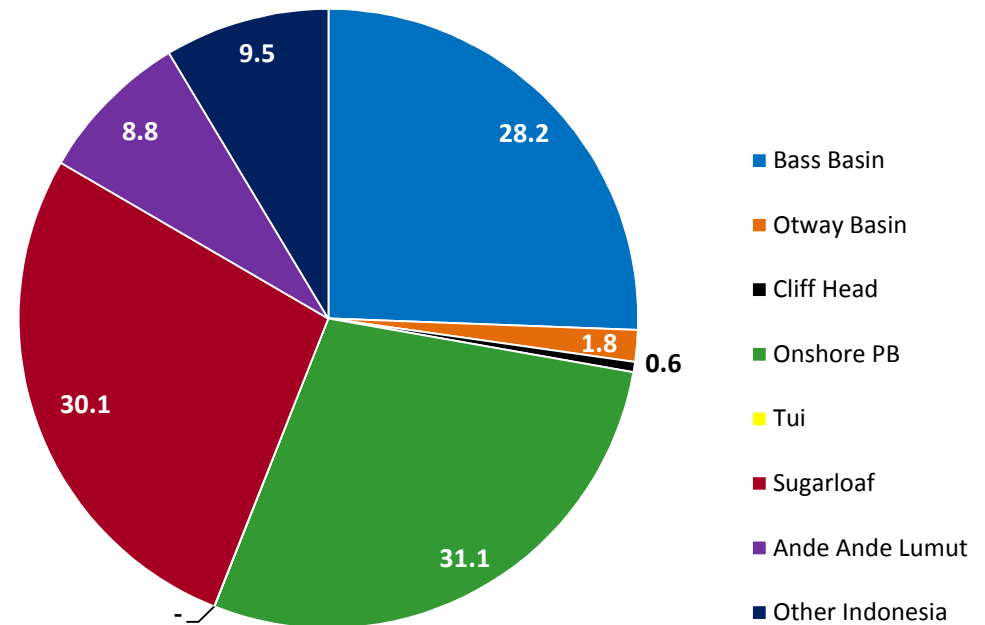
Note: Numbers may not add due to rounding. To be read in conjunction with AWE's annual reserves statement previously published in its 2014 Annual Report.

# AWE 2C Resources as at 31 December 2014



<u>Project/Area</u>	<u>Equity</u>	<u>2C Resources (million boe)</u>
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Bass Basin	40-46.25%	28.2
Otway Basin	25.0%	1.8
Cliff Head	57.5%	0.6
Onshore PB	50-100%	31.1
Tui	57.5%	nil
Sugarloaf	~7.5%*	30.1
AAL	50.0%	8.8
Other Indonesia	42.5-100%	9.5



<b>Total</b>	<b>110.1</b>
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\* Net Revenue Interest, post Royalty (Working Interest 10%)

Note: Numbers may not add due to rounding. To be read in conjunction with AWE's annual reserves statement previously published in its 2014 Annual Report.

# Half Year Results

Bruce Clement, Managing Director  
Ayten Saridas, Chief Financial Officer

25 February 2015