



AWE sells US Shale Assets for USD 190 million cash (AUD 271 million)

- **AWE agrees to sell its 10% working interest in the Sugarloaf project to US-based Carrier Energy Partners II, LLC for USD 190 million (AUD 271 million) before tax**
- **Additional USD 9 million (AUD 13 million) payment to AWE for past drilling costs**
- **Sale proceeds will be used to repay all debt, resulting in an estimated net cash position of AUD 60 million at closing (March 2016)**
- **AWE well positioned to progress the full field development of the Waitsia gas project in Western Australia**

AWE Limited (ASX: AWE) today announced that it had entered into an agreement to sell its 10% working interest in the Sugarloaf Area of Mutual Interest (AMI) to Carrier Energy Partners II, LLC (CEP II), for cash consideration of USD 190 million (AUD 271 million). CEP II is a Houston, Texas USA, based private oil and gas company, focused on the acquisition and exploitation of upstream assets. AWE has received a deposit of USD 14 million (AUD 20 million) and the transaction is expected to be completed by the end of March 2016.

The sale proceeds of AUD 271 million will be used to repay debt drawn under the Company's debt facility and will substantially strengthen the Company's balance sheet, leaving AWE in a net cash position of approximately AUD 60 million at the anticipated closing date.

The sale agreement has an effective date of 1 January 2016 and is subject to purchase price adjustments at closing, including a payment to AWE of approximately USD 9 million (AUD 13 million) for drilling costs incurred prior to the effective date. Tax on the transaction is estimated at USD 35 million (AUD 50 million), payable in the June quarter. The sale is expected to generate a non-cash profit after tax of approximately AUD 16 million (unaudited), subject to purchase price adjustments. The current mark to market value of AWE's unutilised oil price hedges relating to the Sugarloaf asset is USD 5.2 million (AUD 7.5 million).

Mr Bruce Clement, AWE's Managing Director and CEO, said that the sale of Sugarloaf was consistent with the Company's strategy of divesting assets in order to recycle capital into ground floor developments, such as the Waitsia gas project in Western Australia.

"The sale of the Sugarloaf asset for AUD 271 million is an excellent outcome for AWE and demonstrates the Company's proactive approach to portfolio management and its ability to consistently deliver significant value, even in a low oil price environment," he said.

"Sugarloaf has been a valuable growth project for AWE because it is located in the sweet spot for condensate production from the Eagle Ford Shale formation in Texas. We acquired full control of the 10% Sugarloaf interest in 2010, having recognised the potential value of the acreage.



“AWE has worked with the operator, Marathon Oil, over the past few years to optimally develop the asset and realise its potential. With Sugarloaf now entering a more mature phase of production and development, the time is right to divest this asset and focus on the next major project for AWE - the Waitsia gas project in Western Australia,” Clement said.

Earlier this month, AWE announced that it had achieved FID (Final Investment Decision) for the first stage of development for the significant Waitsia gas project. Production from Waitsia will provide early cash flow from mid-2016 as well as valuable data that will help AWE optimise plans for full field development.

“Post the sale of Sugarloaf, AWE will continue to focus on maintaining a balanced and diverse portfolio with a range of gas assets such as Waitsia, BassGas and Casino weighted to near term production, and other undeveloped assets such as the Ande Ande Lumut oil project weighted towards the medium to long term with potential for future upside in oil prices,” Clement added.

The sale of the Sugarloaf asset will reduce AWE’s production, sales revenue and development expenditure guidance for the 2015-16 financial year. The Company will restate guidance at its half year results on 24 February 2016.

AWE was advised on this transaction by UBS Investment Bank.

Notes:

- 1. AUD values calculated using an USD/AUD exchange rate of 70 cents.*
- 2. AWE has consulted with ASX in respect of the Sugarloaf sale and the ASX has confirmed that Listing Rules 11.1 and 11.2 do not apply in respect the sale. AWE shareholder approval is therefore not required.*

Participants in the Sugarloaf AML include (gross working interest basis):

AWE Limited (via subsidiaries)	10.0%
Baytex Limited	28.1%
Empyrean Energy PLC	3.0%
Marathon Oil (Operator)	55.0%
Texas Crude Energy	2.9%
Others	1.0%

About AWE Limited

AWE Limited is an independent, Australian energy company focused on upstream oil and gas opportunities. Established in 1997 and listed on the Australian Securities Exchange (ASX: AWE), the company is based in Sydney with project offices in Perth and New Zealand. AWE has a substantial portfolio of production, development and exploration assets in Australia, New Zealand, and Indonesia. With its strong technical base and disciplined financial management, AWE is well positioned to pursue exploration, appraisal and development opportunities in Australasia and Asia.

About Carrier Energy Partners II (CEP II)

CEP II is a Houston, Texas, based private oil and gas company focused on the acquisition and exploitation of upstream assets. Backed with an equity commitment from Riverstone Holdings LLC, its primary objective is to partner with select operators that are developing both unconventional and conventional reservoirs in North America.

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

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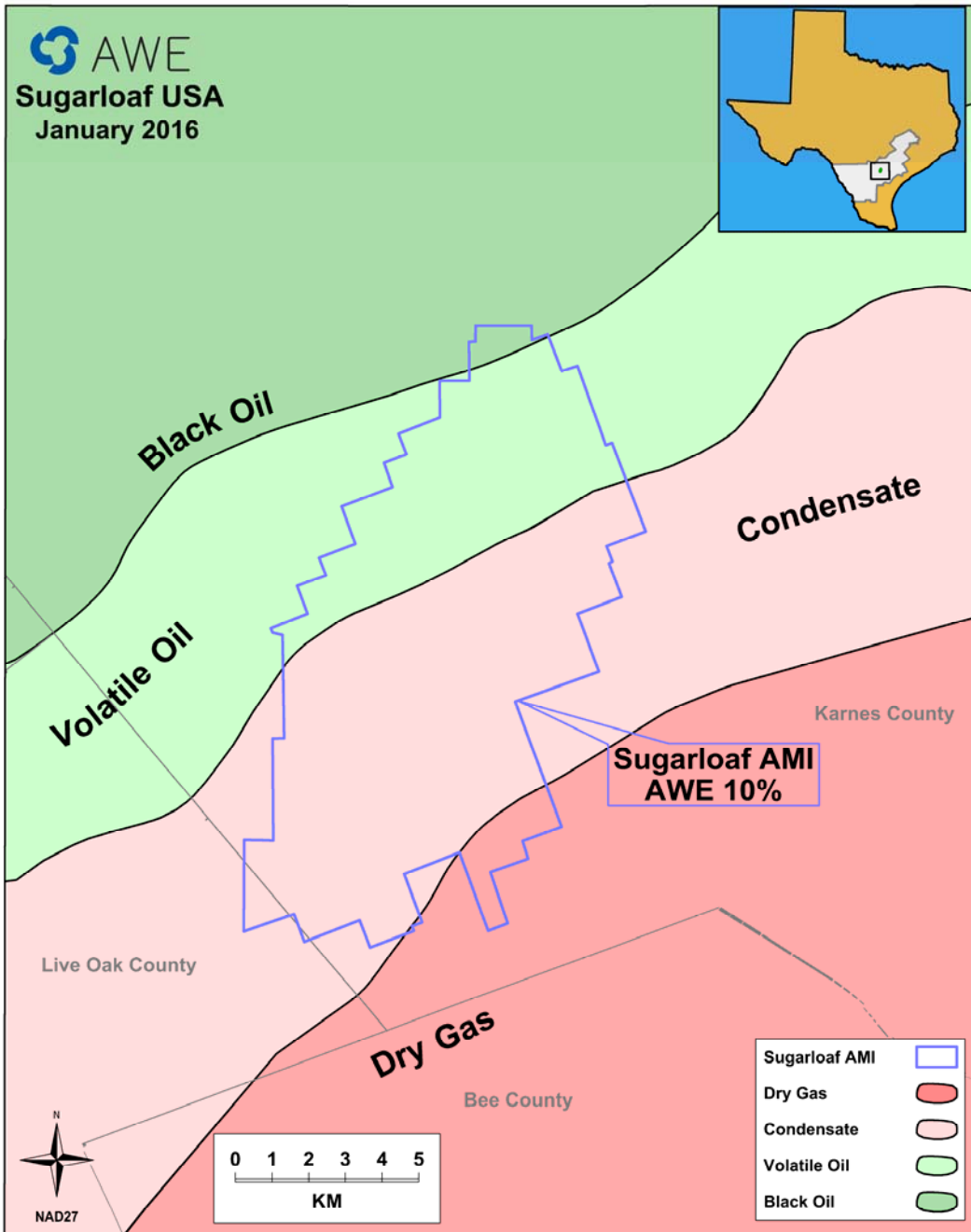
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