ASX Announcement
24 February 2016

AWE's Half Year Results: solid production and revenue

SUMMARY OF RESULTS FOR THE 6 MONTHS TO 31 DECEMBER 2015

- **Total production of 2.9 mmboe, up 12% over previous corresponding half year**
- **Sales revenue of $122 million, including realised oil hedge gains, down 24%**
- **Operating costs of $65 million, down 11%, with significant cost reduction achieved at BassGas, Cliff Head and Sugarloaf**
- **Field EBITDAX of $57 million, down 35%, reflecting lower realised oil and condensate prices**
- **Statutory net loss after tax of $274 million includes $191 million of non-cash impairments (after tax)**
- **Underlying net loss after tax of $63 million after adjusting for non-recurring items**
- **Development expenditure of $70 million, down 26%, and exploration expenditure of $17 million, down 57%**
- **Total 2P Reserves plus 2C Contingent Resources totalled 231 mmboe at 31 December 2015, following adjustments and production (pre-Sugarloaf sale)**
- **Cash of $30 million and net debt of $197 million at 31 December 2015**
- **Finalising sale of Sugarloaf asset for US$190 million subsequent to end of the period; anticipate net cash position of ~A$60 million at completion in March 2016**

AWE Limited (ASX: AWE) today announced its half year results for the 2015-16 financial year. The Company reported production of 2.9 mmboe, sales revenue of $122 million and a statutory net loss after tax of $274 million, which included $191 million of non-cash impairments (after tax). After adjusting for non-recurring items, AWE's underlying net loss after tax was $63 million.

Managing Director, Mr Bruce Clement, said that AWE delivered improved production, extracted significant cost savings and continued to achieve important milestones on major development projects in what was obviously a tough operating environment.

"AWE grew production by 12% over the half year with BassGas up 22%, Tui up 33% and Sugarloaf up 44% over the previous corresponding period. Operationally, there were no Lost Time Injuries, no reportable environmental incidents, and our community and stakeholder programs continued to gain momentum, particularly in the Perth Basin.

"We also extracted significant cost savings from our business: operating costs were down 11%, development expenditure was down 26% and exploration expenditure was down 57%. This trend is expected to continue in the second half of the financial year as cost and expenditure reduction measures take full effect," Clement said.

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He continued, “The company’s primary development project, the Waitsia gas field in Western Australia’s northern Perth Basin, made excellent progress during the first half of the financial year. Flow testing at Waitsia-1 achieved some of the highest onshore flow rates observed in decades, with a combined rate from the Kingia and High Cliff Sandstone formations in excess of 50 million standard cubic feet of gas per day, constrained by production tubing diameter”.

“These extremely positive test results paved the way for the Joint Venture to reach a FID for Stage 1A of the Waitsia gas project in early January 2016, a significant step for both AWE and for the onshore gas production industry in Western Australia. This early stage production will fulfil a 2.5 year, 10 TJ/day take or pay contract with Alinta and provide a new revenue stream for AWE while we work towards full field development,” Clement added.

“From a financial perspective, the half year proved to be challenging with sustained lower oil prices leading to a review of asset carrying values and subsequent non-cash impairment of a number of assets. Revenue and cash flow, although down on the previous corresponding period, remained stable due to oil hedging put in place in October 2015.

“Subsequent to the end of the half year, AWE announced the sale of its 10% working interest in the Sugarloaf AMI in late January 2016 for US$190 million with an additional payment to AWE of US$9 million for drilling costs incurred prior to the effective date (1 January 2016). The sale of Sugarloaf removes significant recurring capital expenditure and will allow AWE to recycle capital and strengthen its balance sheet. AWE will use the proceeds to repay all debt, resulting in an estimated net cash position of A$60 million at completion at the end of March, leaving the company well positioned to pursue full field development of Waitsia,” Clement said.

“Net 2P Reserves at 31 December 2015, after production and adjustments that included a 2.5 mmboe reduction in BassGas reserves, totalled 109 mmboe compared to 114 mmboe at 30 June 2015. The sale of Sugarloaf will naturally see these levels reduce before the end of the financial year, however we are planning an independent review of Waitsia/Senecio/Irwin/Synaphea gas fields where there remains significant potential for Reserves and Resources upside.

“The Board and management of AWE has focused on reshaping the company to deliver sustainable growth in a low oil price environment. We have closed our Jakarta project office and we are exiting the US market. In the process, we have reduced staff by more than 30% and the balance sheet will be significantly strengthened. Although these are tough times for the oil and gas industry, AWE’s portfolio of quality assets has the potential to deliver sustainable growth and value for shareholders,” he concluded.

Guidance

The Company has revised its guidance for the full 2015-16 financial year to take into account the recently announced sale of the Sugarloaf asset, which is expected to complete in late March 2016. Guidance was revised using hedged WTI and Brent oil positions to 30 June 2016 and A$/US$ exchange rate of 72 cents.

Oil and gas production	4.9 – 5.1 mmboe
Sales revenue	$210 - $220 million
Development expenditure	$125 - $135 million
Exploration expenditure	$25 million*

*$17 million spent YTD

For a detailed review of AWE’s operating and financial performance, investors should refer to AWE’s Appendix 4D, Directors Report, Half Year Consolidated Financial Report and Investor Presentation released to the Australian Securities Exchange today.

Financial Summary

The following table provides an overview of production and the financial performance of AWE for the half year, ended 31 December 2015, as detailed in AWE's Half Year Financial Report.

Overview of the consolidated entity	6 months to 31-Dec-15	6 months to 31-Dec-14	Variance
Production	**mmboe [1]**	**mmboe [1]**	**%**
Gas	**1.43**	1.39	3%
LPG production	**0.32**	0.20	60%
Condensate production	**0.53**	0.44	20%
Oil	**0.59**	0.53	11%
Total production	**2.87**	2.56	12%
Financial performance	**$million**	**$million**	**%**
Sales revenue [2]	**122.1**	161.3	(24%)
Production costs and royalties	**(64.9)**	(73.2)	(11%)
Field EBITDAX [3]	**57.2**	88.1	(35%)
Exploration and evaluation expense	**(16.8)**	(27.8)	(40%)
Amortisation	**(63.7)**	(60.3)	6%
Net financing expense	**(5.8)**	(5.8)	(0%)
Impairment[4]	**(236.8)**	(92.6)	>100%
Other income / (expense)	**(7.6)**	(3.6)	>100%
Statutory net profit / (loss) before tax	**(273.5)**	(102.0)	>100%
Tax (expense) / benefit	**(0.4)**	40.3	>100%
Statutory net profit / (loss) after tax (NPAT)	**(273.9)**	(61.7)	>100%

To assist users reconcile underlying performance, the following table provides a reconciliation of NPAT and the impact of non-recurring items.

Reconciliation of underlying NPAT	6 months to 31-Dec-15 $million
Statutory NPAT	**(273.9)**
Non-recurring items after tax:	
Impairment of exploration and oil and gas assets[4]	**191.3**
Restructuring costs	**5.0**
Derecognition of tax losses	**14.8**
Total non-recurring items (after tax)	**211.1**
Underlying NPAT[5]	**(62.9)**

Note: numbers may not add due to rounding.

1. mmboe refers to million barrels of oil equivalent.
2. Sales revenue includes realised hedge gains.
3. Sales revenue less production costs and royalties. Refer note 10 for information by segment.
4. The level of non-cash impairment was determined after a review of asset carrying values in the current lower oil price environment. AWE has used nominal Brent oil price estimates of US$40.26/bbl in 2016, US$47.52/bbl in 2017, US$51.92/bbl in 2018, and an independent long term oil price forecast thereafter. An exchange rate of AUD/USD 0.72 was applied in 2016, AUD/USD 0.71 through to 2019 and 0.70 thereafter.
5. 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.

Summary of Abbreviations

BOE	Barrels of Oil Equivalent
EBITDAX	Earnings Before Interest, Tax, Depreciation and Exploration expenses
FID	Final Investment Decision
mmboe	millions of barrels of oil equivalent
NPAT	Net Profit After Tax

Except where otherwise noted, all references to “$” are to Australian dollars

Reserves and Resources

The reserves and resources in this announcement are based on and fairly represent information and supporting documentation prepared by and under the supervision of qualified petroleum reserves and resource evaluators: Dr. Suzanne Hunt, AWE Manager for Engineering and Development, and Mr. Andrew Furniss, AWE General Manager for Exploration and Geoscience. Dr. Hunt, a Petroleum Engineer with a Ph.D. in Geomechanics, is a member of the Society of Petroleum Engineer Engineers and has over 19 years’ experience in the petroleum sector in field development planning, reserves estimation, production and facilities engineering. Mr. Furniss, a member of the Society of Petroleum Engineers and the American Association of Petroleum Geologists, holds an MSc in Exploration Geophysics and a BSc (Hons) in Geological Sciences and has over 25 years’ of industry experience in strategic planning, portfolio management, prospect evaluation, technical due diligence and peer review, reserves and resource assessment, the application of advanced geophysical technology and business development. Both have consented in writing to the inclusion of this information in the format and context in which it appears.

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.

Conversion Tables

Energy Value	**Barrel of Oil Equivalents (BOE)**
1,000 standard cubic feet of sales gas yields about 1.055 gigajoules (GJ) of heat 1 petajoule (PJ) = 1,000,000 gigajoules (GJ) 1 gigajoule = 947,817 British Thermal Units (BTU)	**Oil** 1 barrel = 1 BOE **Condensate** 1 barrel = 1 BOE **LPG/NGLs** 1 tonne = 11.6 BOE **Sales Gas** 6PJ = 1 million BOE

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