



AWE LIMITED

HALF YEAR RESULTS FY2016

24 FEBRUARY 2016

A photograph of an industrial site at dusk. In the foreground, a large, complex valve assembly with multiple handwheels stands on a concrete pad. To the right, two workers in high-visibility gear are near a blue barrel and a black tent. The background shows a flat landscape under a sky with scattered clouds. The text 'MANAGING DIRECTOR BRUCE CLEMENT' is overlaid in the bottom left corner.

MANAGING DIRECTOR
BRUCE CLEMENT

This presentation may contain forward looking statements that are subject to risk factors associated with the oil and gas businesses. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a variety of variables and changes in underlying assumptions which could cause actual results or trends to differ materially, including but not limited to: price fluctuations, actual demand, currency fluctuations, drilling and production results, reserve estimates, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory developments, economic and financial market conditions in various countries and regions, political risks, project delay or advancement, approvals and cost estimates.

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 reserves and resources in this presentation 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.

- **Strategy and Highlights**
- **Financial Performance**
- **Delivering Sustainable Growth**
- **Outlook**



Strategy and Highlights

FY2015-16
Half Year Results

Focused on Australia

- Deliver production and revenue growth through Waitsia gas project
- Secondary focus New Zealand and Indonesia

Focused on High Value Gas assets

- Targeting high margin, low cost gas developments
- Capture gas contract pricing upside in domestic east and west coast gas markets

Strengthened financial position

- Sale of Sugarloaf for US\$190M
- Recycle capital into key development projects

Flexibility to expand when oil prices improve

- Progress pre-development work on Ande Ande Lumut oil project, Indonesia, focusing on cost reduction

Concentrating on core markets



Key initiatives – report card

| Initiative | Action | Status |
|--|---|------------------------------------|
| Certainty of cash flow | <ul style="list-style-type: none"> Hedge oil production | Yes |
| Reduce/eliminate costs and discretionary spending | <ul style="list-style-type: none"> Reduce overheads by >20% in FY 2016; further reductions next FY Implement procurement and operating cost savings Eliminate non-essential expenditure | On track Ongoing Ongoing |
| Optimise operating structure | <ul style="list-style-type: none"> Close Jakarta project office Exit USA Reduce staff levels by 30% Flatten reporting lines | Yes Yes Yes Yes |
| Reduce total investment spend | <ul style="list-style-type: none"> Reduce investment expenditure by 30% to 40% versus previous year Defer/eliminate non-essential exploration and development | On track Ongoing |
| Maintain flexible balance sheet | <ul style="list-style-type: none"> Prioritise investments Recycle capital (asset sales) | Yes Ongoing |

AWE continues to target lower cost base and improved shareholder returns

Half year operational highlights



Production and Development

- Production of 2.9 mmboe up 12% over previous corresponding period (pcp)
 - BassGas up 22%, Tui up 33% and Sugarloaf up 44% over pcg
- BassGas drilling program complete and both new wells brought online
- Achieved FID for Waitsia Stage 1A in January 2016

Exploration and Appraisal

- Outstanding flow rates from Waitsia-1 with combined rate in excess of 50 mmscf/d from the conventional Kingia and HCSS formations
- Onshore Perth Basin net 2P Reserves and 2C Resources now total 70 mmboe (Waitsia/Senecio/Irwin/Synaphea comprise 67 mmboe)

Corporate and Portfolio Management

- Oil production hedged from October 2015 through to the end of June 2016
- Cost reductions achieved across opex, capex and exploration
- Sale of Sugarloaf for US\$190M announced following end of period

AWE increased production and reduced costs in line with objectives

Half year financial performance



| | |
|--|---|
| Total Production for 1H FY2016 | 2.9 million BOE, up 12% on pcp¹ |
| Sales Revenue ² | \$122 million, down 24% on pcp |
| Operating costs | \$65 million, down 11% on pcp |
| Field EBITDAX | \$57 million, down 35% on pcp |
| Asset impairments before tax | \$237 million |
| Statutory net loss after tax | \$274 million |
| Underlying net loss after tax | \$63 million |
| Operating cash flow ³ | \$44 million, down 25% on pcp |
| Average realised oil & condensate price ² | \$57.78 per barrel, down 35% on pcp |

- At 31 December 2015, AWE held cash of \$30 million, net debt was \$197 million and undrawn facilities totalled \$173 million⁴

1. Previous corresponding period
2. Including realised hedge gains
3. Before exploration expenditure
4. Before Sugarloaf sale

Solid operational performance impacted by low oil prices

- Community and stakeholder relations activities continue to gain momentum, and have received positive feedback
- No Lost Time Injuries recorded in 1H FY 2015-16
- No reportable environmental incidents in 1H FY 2015-16



Outstanding Waitsia-1 flow test results



- Combined flow rate over 50 mmscf/d from two zones, constrained by production tubing diameter, achieved from Waitsia-1
- Some of the best onshore well test results observed in Australia for the past 20 to 30 years

Waitsia to position AWE as the low cost gas producer in WA – AWE net capex \$9M

Sugarloaf sale announced in January



- Sale of AWE's Sugarloaf asset to US-based CEP II for US\$190M cash before tax
- Additional US\$9M payment to AWE for drilling costs incurred prior to the effective date (1 January 2016)
- US\$14M cash deposit received, transaction estimated to complete by end of March quarter 2016
- AWE to book production, revenue and capex until completion - final purchase price adjustments recognised through P&L
- Proceeds used to repay drawn debt and AWE anticipates net cash of approximately A\$60M at the end of the March quarter

Sugarloaf sale exceeds market expectations

Guidance for FY2015-16

| Key Indicator | Guidance at 20/11/15 | Half Year Actual at 31/12/15 | Revised Guidance at 24/2/16 |
|-------------------------------|----------------------|------------------------------|-----------------------------|
| Production (million BOE) | 5.1 – 5.6 | 2.9 | 4.9 – 5.1 |
| Sales Revenue (\$m) | 225 – 250 | 122 | 210 – 220 |
| Development Expenditure (\$m) | 155 – 185 | 70 | 125 – 135 |
| Exploration Expenditure (\$m) | 25 | 17 | 25 |

Notes.

Guidance at 20/11/15 prepared using Brent Oil price of US\$50 per barrel and A\$/US\$ of 75 cents

The proposed sale of Sugarloaf (announced 27/1/15) will result in reduced Production, Sales and Development Expenditure for the final quarter of FY 2015-16. This is reflected in the Revised Guidance at 24/2/16.

Revised Guidance at 24/2/16 prepared using hedged WTI and Brent oil positions to 30 June 2016 and A\$/US\$ exchange rate of 72 cents

Guidance revised to incorporate Sugarloaf sale

Financial Performance

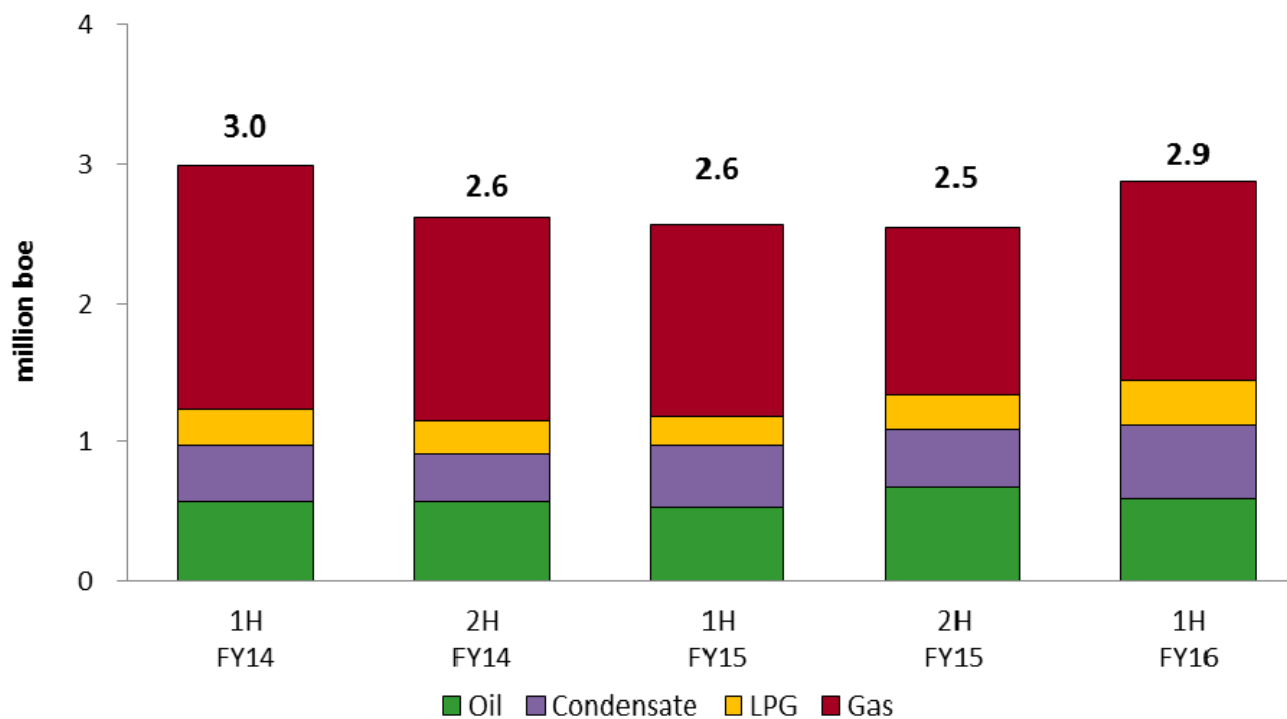
For the 6 months
to 31 December 2015

Ayten Saridas
Chief Financial Officer

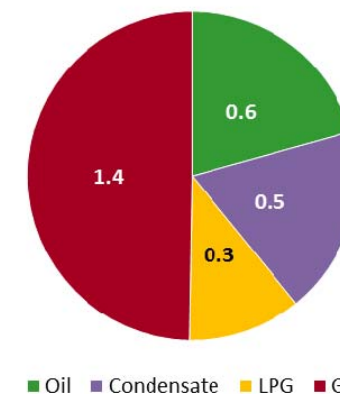


Total production

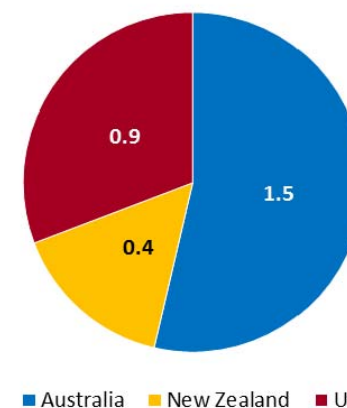
Production for last five consecutive half year periods



1H FY16 Production by Product
MMBOE



1H FY16 Production by Geography
MMBOE



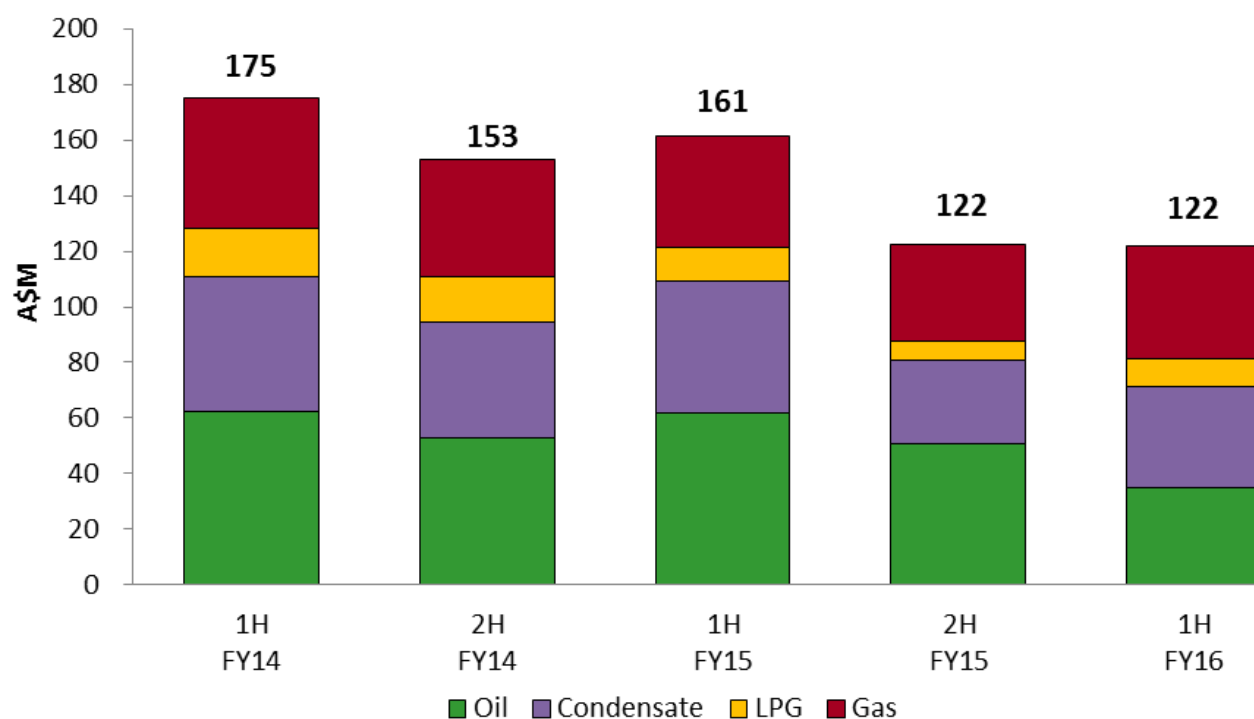
Note: Numbers may not add due to rounding

Solid first half production with 50:50 gas to liquids

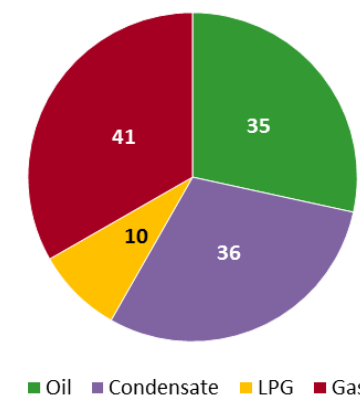
Sales revenue



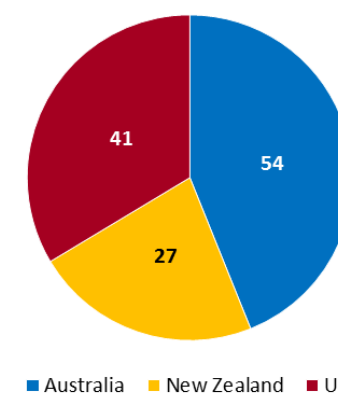
Sales Revenue for last five consecutive half year periods



1H FY16 Sales Revenue by Product
\$122 million

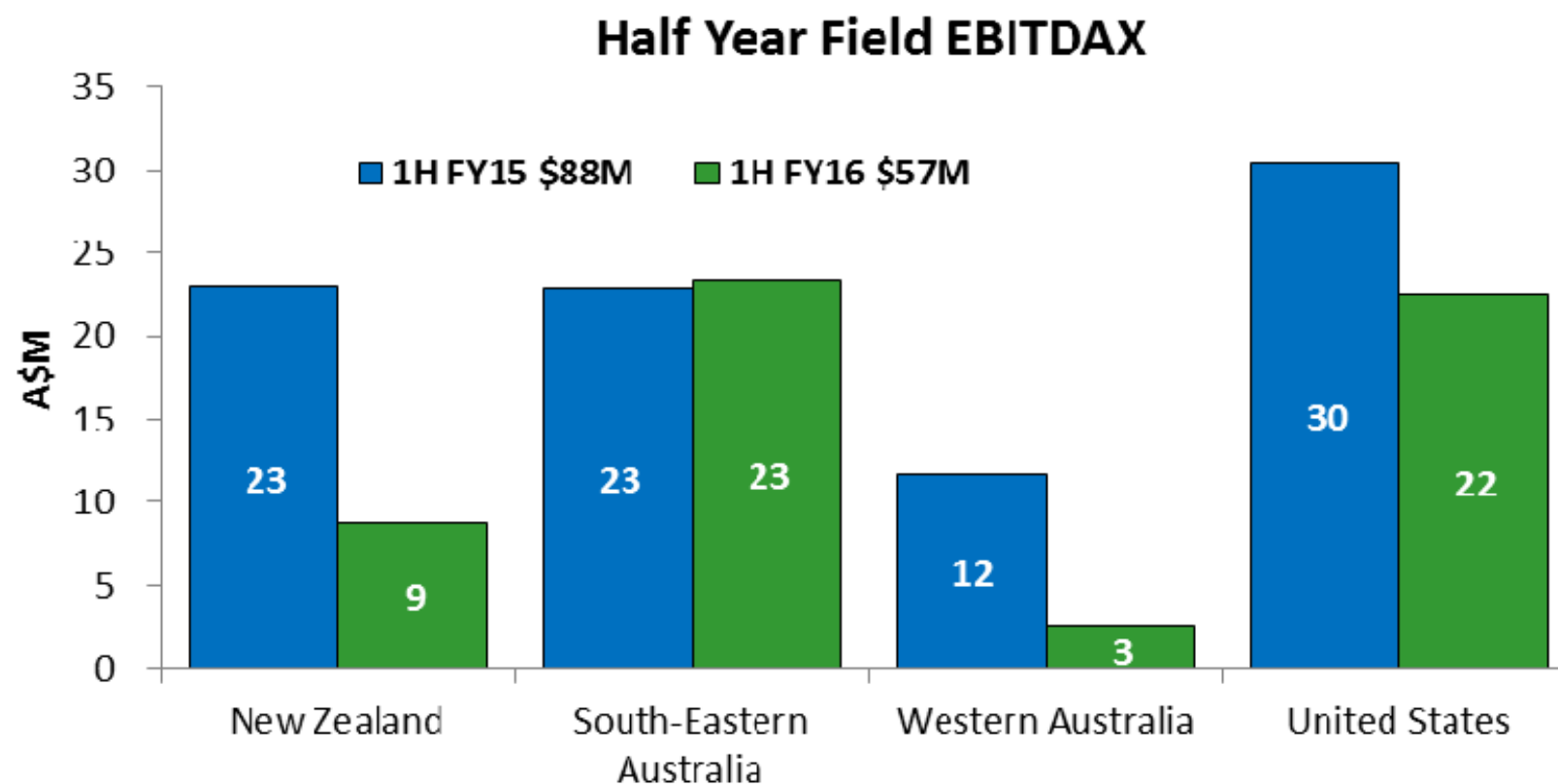


1H FY16 Sales Revenue by Geography
A\$ million



Note: Numbers may not add due to rounding

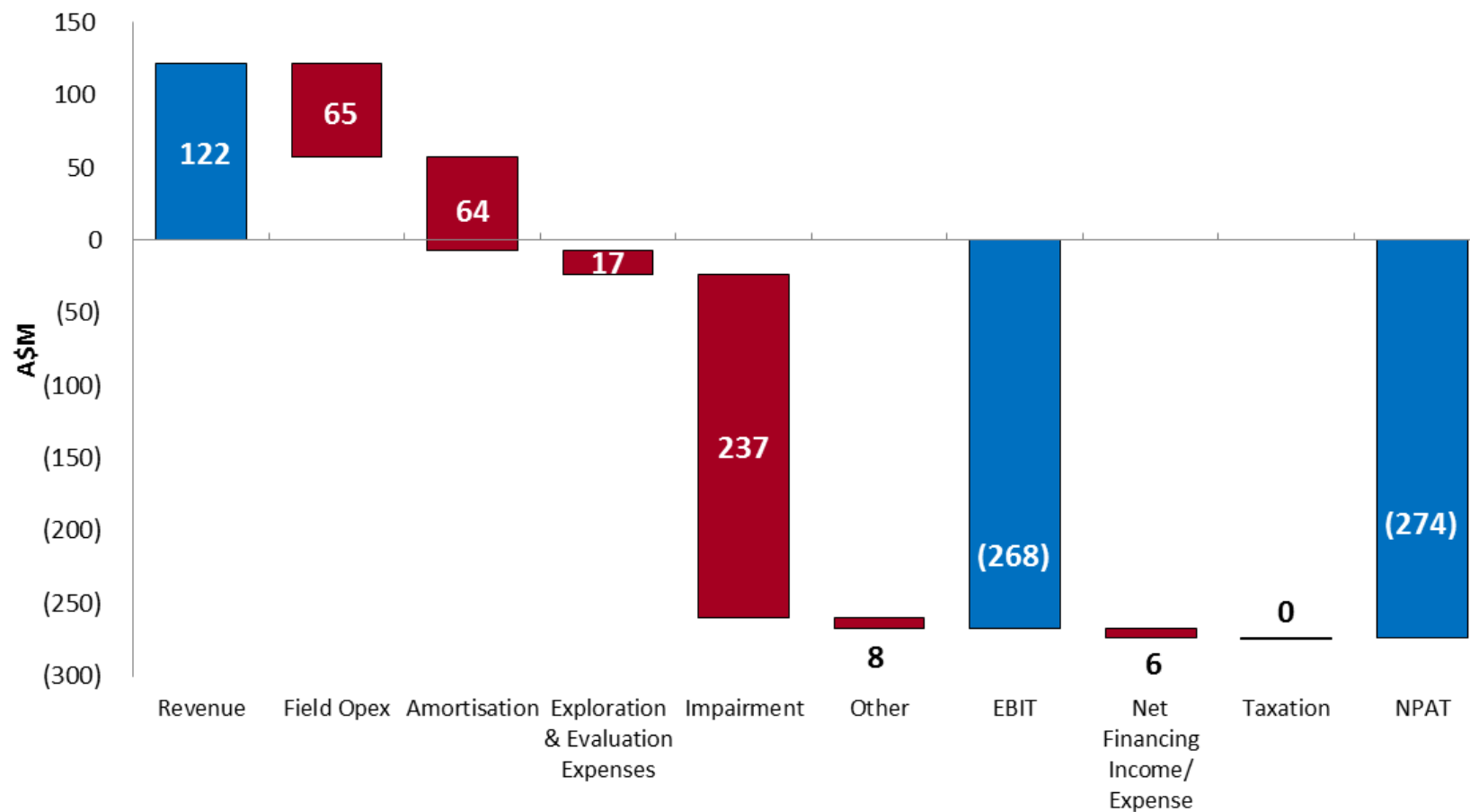
Sales revenue in 1H FY 2015-16 underpinned by oil hedging



New Zealand and WA impacted by lower oil prices

Earnings analysis

Net Profit after Tax for half year to 31 December 2015



Impairment of oil and gas assets reflects lower oil prices and reduced BassGas Reserves

Underlying NPAT reconciliation



| | Half Year to Dec 2015 \$ million | Half Year to Dec 2014 \$ million |
|---|--|--|
| Statutory NPAT | (273.9) | (61.7) |
| Adjusted for: | | |
| Impairment of oil and gas assets | 191.3 | 50.1 |
| Gain on completion of sale of interest in BassGas | | (2.3) |
| Restructuring costs | 5.0 | - |
| Derecognition of tax losses | 14.8 | - |
| Underlying NPAT ⁽¹⁾ | (62.9) | (13.9) |

| | | |
|--|------|------|
| Note (1): Includes exploration expense | 16.8 | 27.8 |
|--|------|------|

Underlying NPAT impacted by lower realised oil prices

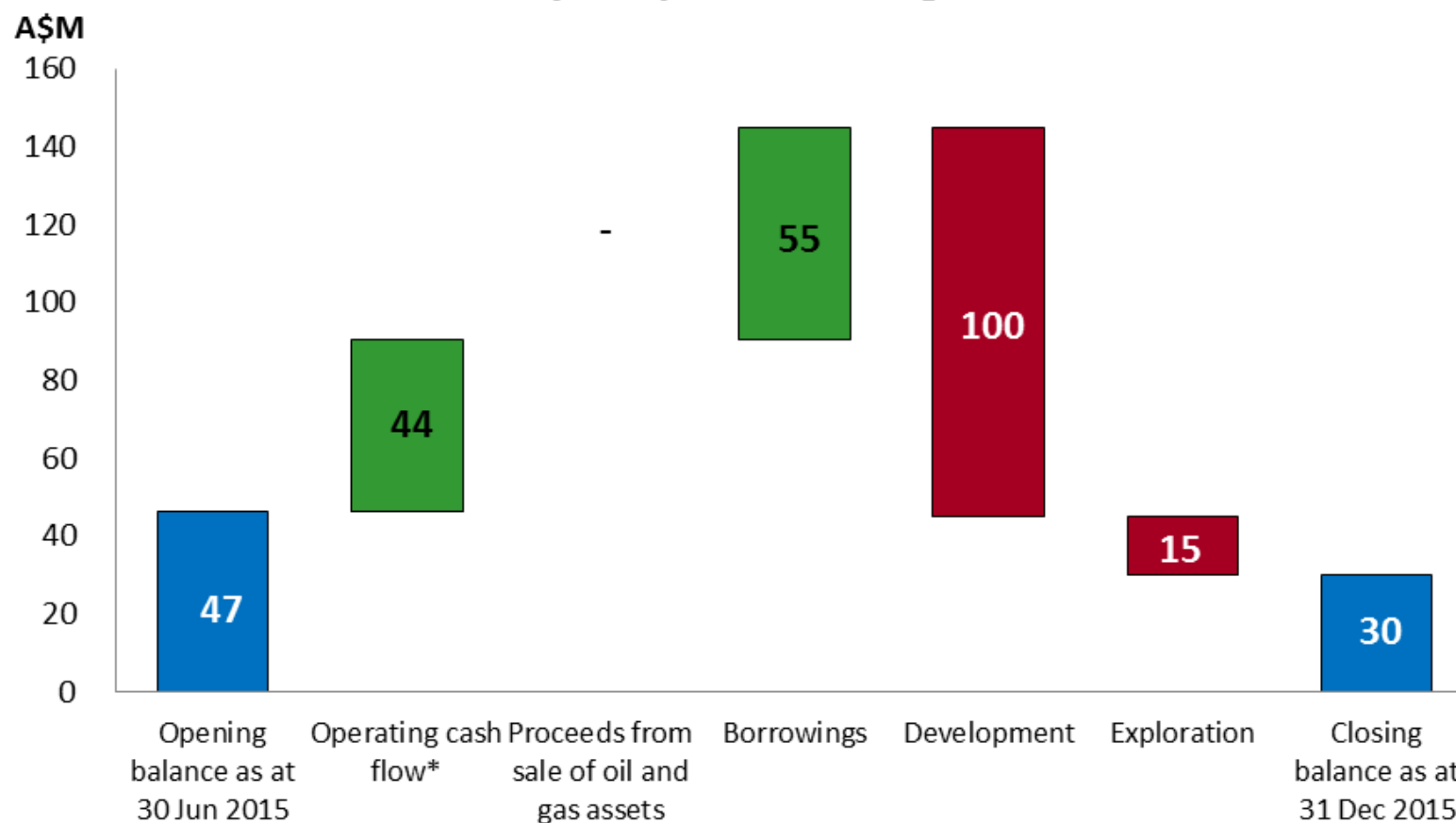
Non-cash impairments

| Oil and gas assets | Non-cash impairment before tax (A\$ million) | Non-cash impairment after tax (A\$ million) |
|------------------------|--|---|
| Cliff Head Oil Project | \$14.6 | \$14.6 |
| Tui Area Oil Project | \$54.0 | \$54.0 |
| BassGas Project | \$126.4 | \$88.5 |
| Lengo | \$13.4 | \$13.4 |
| Beharra Springs | \$3.1 | \$2.2 |
| Exploration assets | \$25.3 | \$18.6 |
| TOTAL | \$236.8 | \$191.3 |

- AWE has used nominal Brent oil price forecasts of US\$40.26/bbl in 2016, US\$47.52/bbl in 2017 and US\$51.92/bbl in 2018, then an independent long term oil price forecast thereafter.
- An exchange rate of A\$/US\$ 0.72 was applied in 2016, A\$/US\$ 0.71 in 2017 through to 2019, and A\$/US\$ 0.70 thereafter.

Cash flow analysis

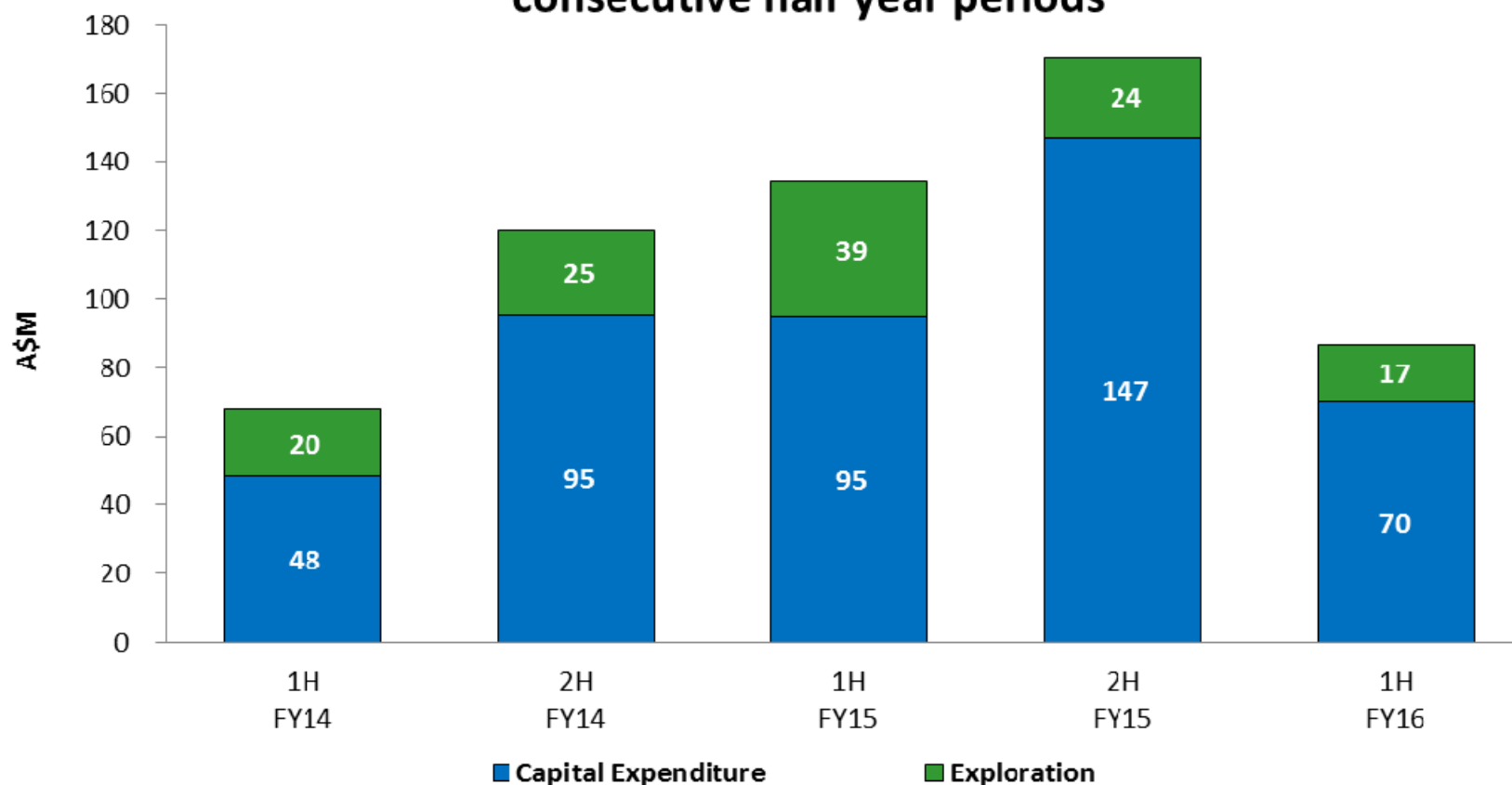
Cash Flow for half year period ending 31 December 2015



*Cash flow from operating activities excludes exploration expenditure.

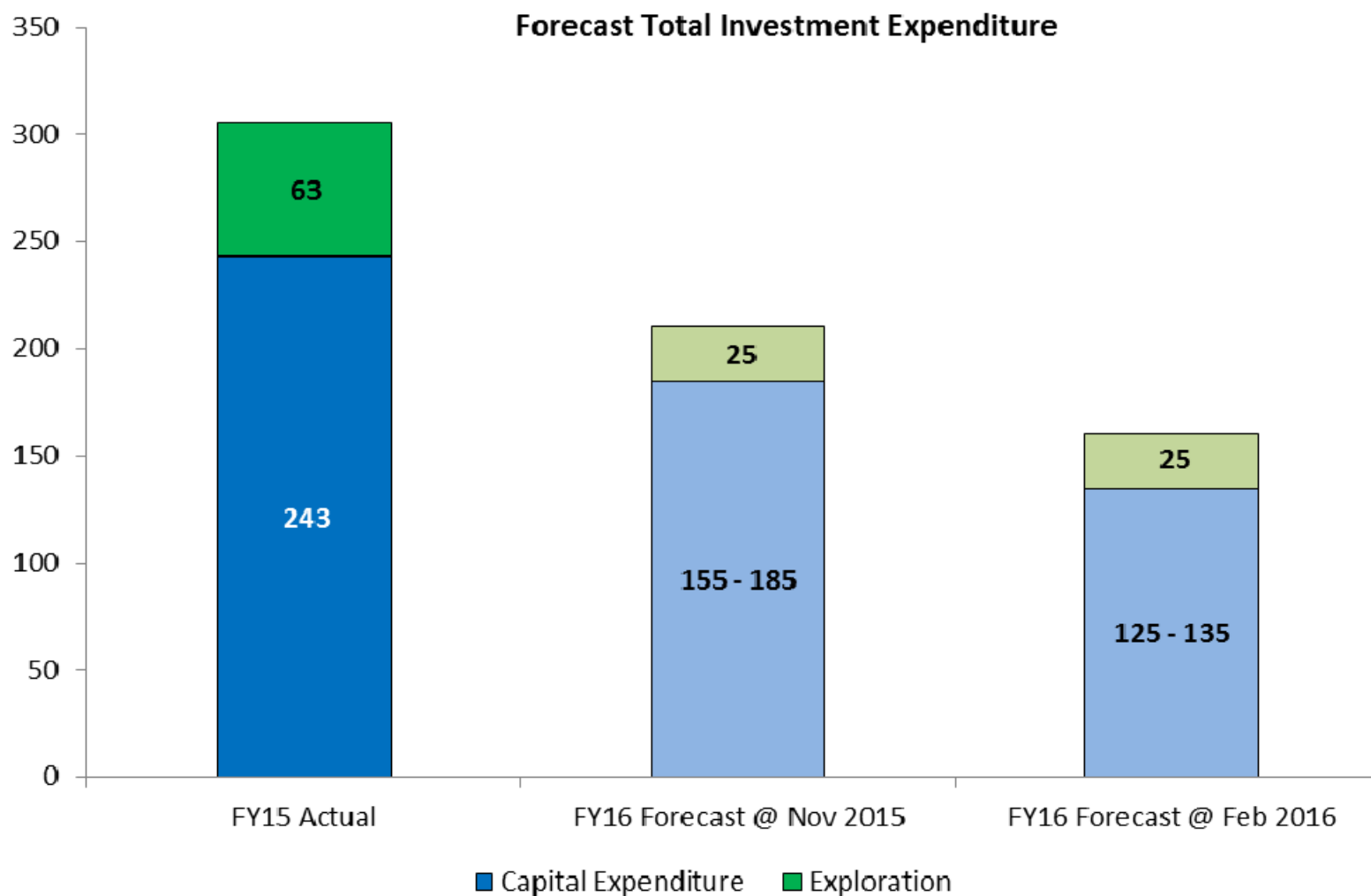
Net cash from operating activities up 4% compared to corresponding period

Total Investment Expenditure for the last five consecutive half year periods



Development and exploration expenditure reducing in line with forecasts

Capex and exploration further reduced



Full year capex on target for further reduction in FY 2015-16

Divesting assets to recycle capital

- Sale of 10% working interest in Sugarloaf AML, onshore USA, for US\$190M
 - Eliminates significant recurring capex of up to \$100M p.a.
 - Reduces exposure to low oil prices
 - Substantially strengthens balance sheet
- Potential sale of 42.5% interest in Lengo gas project, offshore Indonesia
- Potential sale of 57.5% interest in Cliff Head oil project, offshore WA, to Elixir conditional on the purchaser securing funding
- Exit from North Madura PSC, offshore Indonesia
- Sale of 21.25% interest in Block 7, Al Burqa Permit, in Yemen to Petsec announced

Delivering Sustainable Growth



Major developments reprioritised



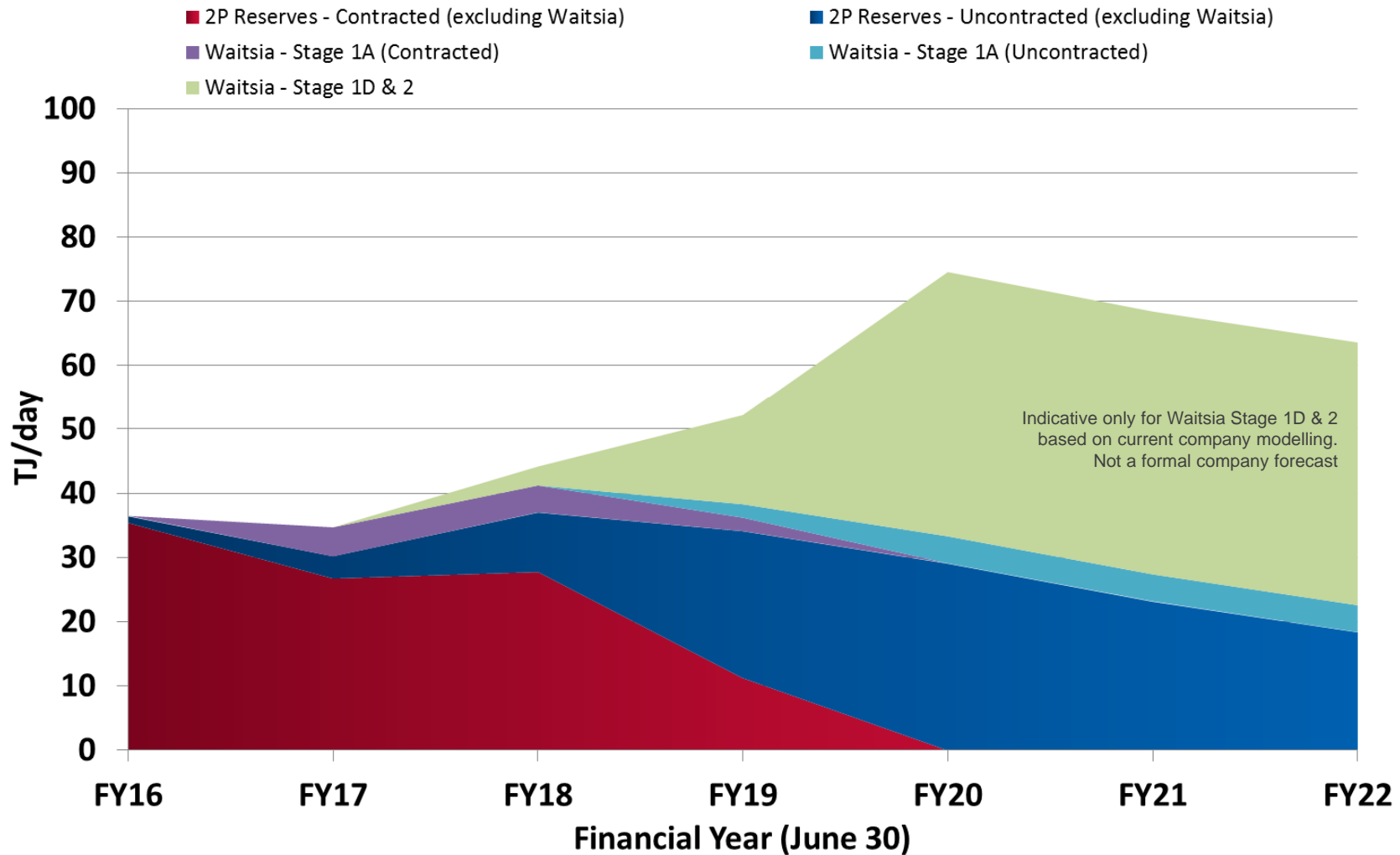
- Waitsia development given high priority, targeting early stage production from Q3 CY2016
- Compression and condensate pumping modules at BassGas will improve production from 2017; new gas sales contract from 2018
- Casino development drilling; new gas sales contract from 2018
- Waitsia full field development to be underpinned by new gas sales contract(s)
- Continue to progress AAL oil project to FID
- Opportunity to add Trefoil to BassGas beyond 2020

Development projects reprioritised to maximise value and cash flow

Capturing upside in domestic gas markets



AWE Net Australian Sales Gas Production Outlook (average TJ per day)



AWE preparing to re-contract significant gas volumes on east and west coast

Waitsia achieves FID for Stage 1A



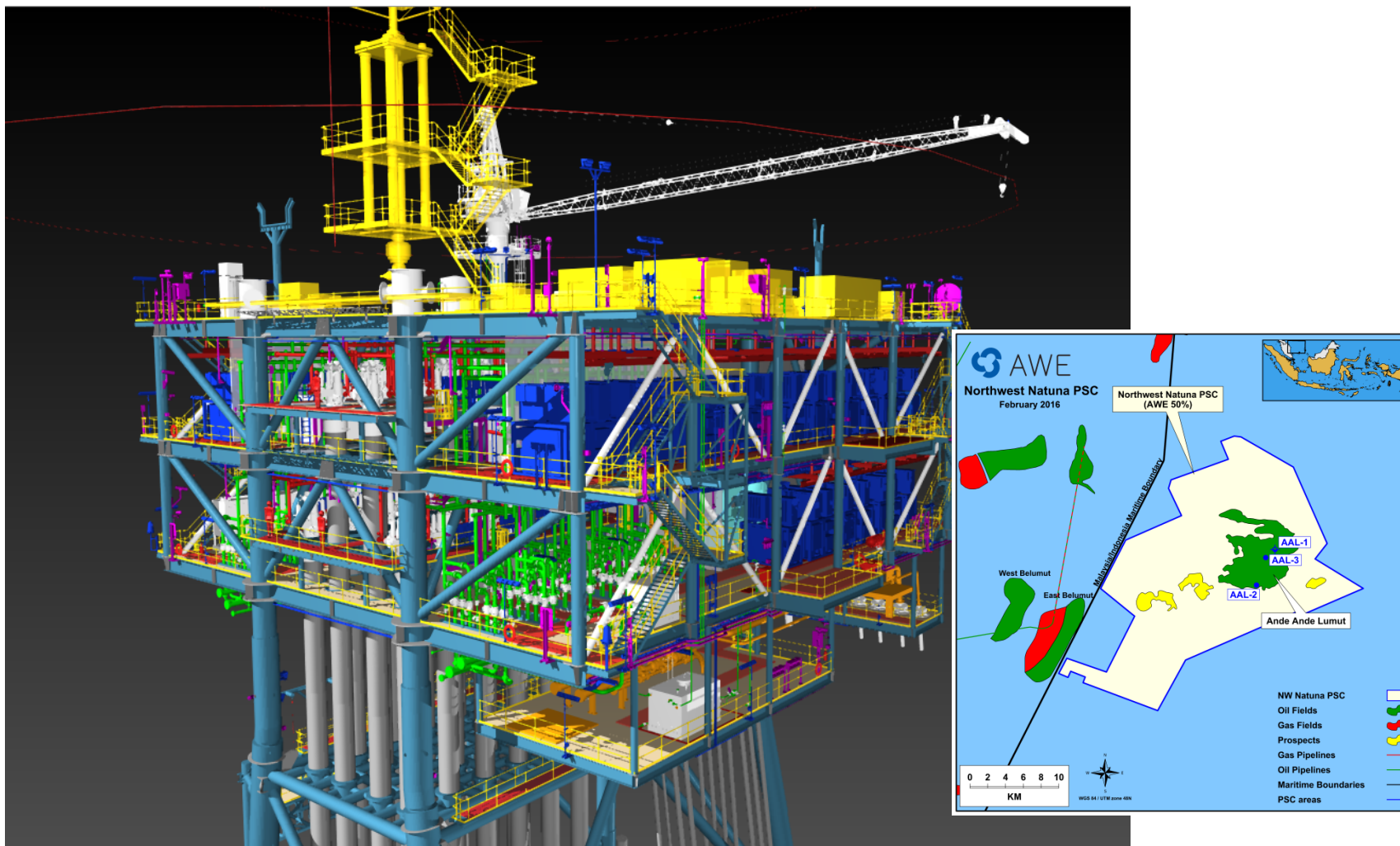
New long-term revenue stream for AWE - targeting first gas from Q3 CY2016

BassGas begins final phase of MLE



Hook-up of compression and condensate pumping modules under way

AAL positioned for oil price upside



FPSO & WHP tender processes well advanced; Operator planning appraisal well 1H CY 2016

Outlook



Key milestones ahead

Progress asset sales and recycle capital

- Sugarloaf sale scheduled to complete by end of March quarter 2016
- Potential sale of 42.5% interest in Lengo gas project
- Potential sale of 57.5% interest in Cliff Head oil project

First production from Waitsia gas field in the onshore Perth Basin

- Low cost, early conventional production from existing wells by Q3 CY2016
- Gas marketing for larger resource base under way
- Independent reserves review planned for CY2016
- Further appraisal drilling planned in FY2016-17

BassGas project Mid Life Enhancement and future development

- Hook-up of gas compression and condensate pumping modules under way
- Trefoil development feasibility studies

Ande Ande Lumut oil project

- Progress FPSO and WHP tender process over 1H CY2016
- Operator planning G-Sand appraisal well in 1H CY2016

Further Reserves growth potential from Perth Basin anticipated in coming years

- Reshaping AWE for a low oil price environment
- Focused on Australia and high value gas projects
- Sale of Sugarloaf strengthens balance sheet - capacity and flexibility to fund and deliver planned development projects
- Targeting first gas from Waitsia development in Q3 CY2016; new long-term revenue stream for AWE
- Ability to capture increased gas prices in east and west coast gas markets in medium term
- Exposure to upside in oil prices through AAL project
- Ability to increase Reserves substantially over short to medium term



THANK YOU



QUESTIONS



Appendix

Half year financials and
supplementary information

Production analysis – 1H FY2015-16



| REGION AND ASSETS | 1H FY15-16 Production | Percentage of total | 1H FY 14-15 Production | Percentage of total |
|------------------------------------|--------------------------|------------------------|---------------------------|------------------------|
| Australia | '000 BOE | | '000 BOE | |
| Bass Basin (BassGas) | 756 | 26% | 622 | 24% |
| Otway Basin (Casino) | 431 | 15% | 579 | 23% |
| Perth Basin (Cliff Head, onshore*) | 356 | 12% | 412 | 16% |
| | | | | |
| Taranaki Basin (Tui*) | 447 | 16% | 336 | 13% |
| | | | | |
| Eagle Ford, Texas (Sugarloaf) | 875 | 31% | 606 | 24% |
| TOTAL ('000 BOE) | 2,866 | | 2,556 | |

Numbers may not add due to rounding

* Denotes Operatorship (not all Perth Basin assets operated)

- Production up 12% due to significant increases at BassGas, Tui and Sugarloaf compared to the previous corresponding period
- Product mix was 50% gas and 50% liquids for the half year to 31 December 2015

Half year earnings breakdown

| | Half Year to Dec 2015 \$ million | Half Year to Dec 2014 \$ million |
|--|--|--|
| Sales Revenue | 122.1 | 161.3 |
| Operating Costs | (64.9) | (73.2) |
| Amortisation | (63.7) | (60.3) |
| Exploration costs expensed | (16.8) | (27.8) |
| Asset impairments/reversals | (236.8) | (92.6) |
| Net financing | (5.8) | (5.8) |
| Net other | (7.6) | (3.6) |
| Profit/(Loss) before tax | (273.5) | (102.0) |
| Tax (expense)/benefit | (0.4) | 40.3 |
| Statutory net profit/(loss) after tax | (273.9) | (61.7) |

Half year segmental reporting



| \$ millions | Total | New Zealand | South-East Australia | Western Australia | USA | Indonesia | Exploration |
|-------------------------------------|----------------|---------------|----------------------|-------------------|-------------|---------------|---------------|
| Sales revenue | 122.1 | 27.4 | 37.2 | 16.4 | 41.0 | - | - |
| Production costs and royalties | (64.9) | (18.7) | (13.8) | (13.9) | (18.5) | - | - |
| Net field contribution | 57.2 | 8.8 | 23.4 | 2.5 | 22.5 | - | - |
| Amortisation | (63.7) | (11.7) | (21.6) | (8.0) | (22.4) | - | - |
| Impairment | (236.8) | (54.0) | (126.4) | (17.7) | - | (13.4) | (25.3) |
| Exploration expenses | (16.8) | - | - | - | - | - | (16.8) |
| Segment Profit/(Loss) | (260.2) | (56.9) | (124.6) | (23.2) | 0.1 | (13.4) | (42.1) |
| Unallocated income/(expenses) | (13.3) | | | | | | |
| Net profit/(loss) before tax | (273.5) | | | | | | |

Half year cash flow analysis

| | Half Year to Dec 2015 \$ million | Half Year to Dec 2014 \$ million |
|---|--|--|
| Opening cash | 46.6 | 42.1 |
| Net cash flow from operations* | 29.3 | 28.1 |
| Proceeds from sale of oil and gas assets | - | 64.0 |
| Development spending | (99.9) | (85.2) |
| Purchase of land and buildings | - | (12.2) |
| Exploration spending initially capitalised | - | (18.1) |
| Proceeds/repayment of borrowings | 54.6 | 56.8 |
| Other | (0.4) | (0.6) |
| Closing cash | 30.1 | 75.0 |
| * includes exploration and evaluation costs | (15.0) | (30.7) |

Balance Sheet summary

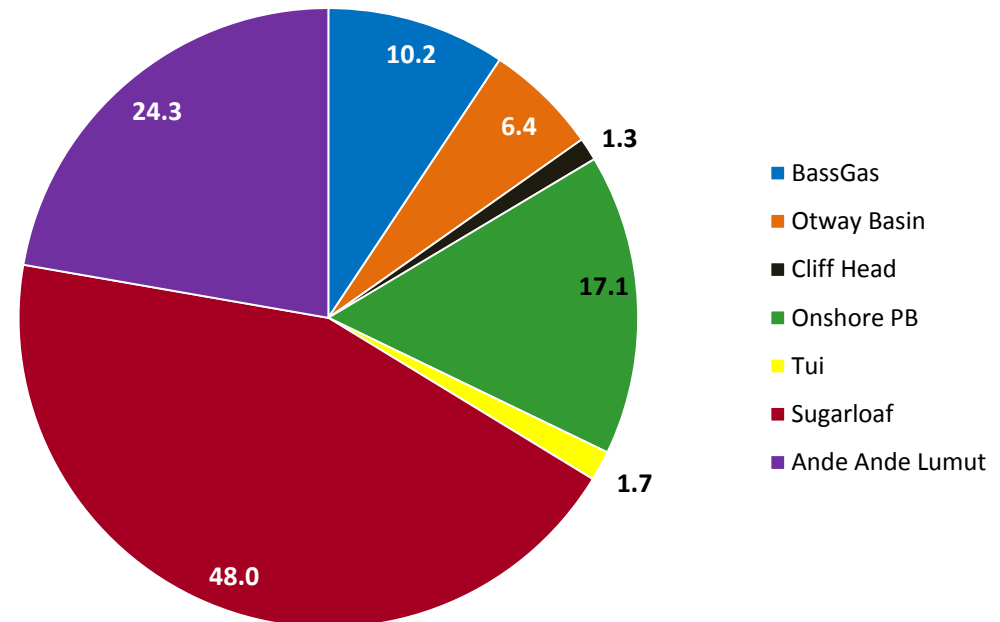


| Balance sheet item | 31 Dec 2015 \$ million | 30 Jun 2015 \$ million |
|-----------------------------------|---------------------------|---------------------------|
| Assets | | |
| Cash and cash equivalents | 30.1 | 46.6 |
| Receivables and inventory | 167.9 | 177.1 |
| Derivative financial instruments | 11.3 | - |
| Exploration and evaluation assets | 44.2 | 69.1 |
| Oil and gas assets | 706.0 | 882.9 |
| Assets held for sale | - | |
| Land and buildings | 12.2 | 12.2 |
| Other assets | 2.9 | 3.5 |
| Deferred tax assets | 166.2 | 164.7 |
| Liabilities | | |
| Trade and other payables | 56.5 | 97.9 |
| Taxes payable/(refundable) | 0.5 | 1.6 |
| Loan facility drawdown | 227.5 | 169.8 |
| Provisions | 227.3 | 218.5 |
| Deferred tax liabilities | 63.4 | 59.6 |
| Other liabilities | 1.8 | 2.4 |
| Net assets | 564.0 | 806.2 |

AWE 2P Reserves as at 31 December 2015



| <u>Project/Area</u> | <u>Equity</u> | <u>2P Reserves (million boe)</u> |
|---------------------|---------------|--------------------------------------|
| BassGas | 35% | 10.2 |
| Otway Basin | 25% | 6.4 |
| Cliff Head | 57.5% | 1.3 |
| Onshore PB | 33-100% | 17.1 |
| Tui | 57.5% | 1.7 |
| Sugarloaf | 10%* | 48.0 |
| AAL | 50%^ | 24.3 |
| Total | | 109.1 |



* Working Interest 10%; Net Revenue Interest, post Royalty ~7.5%. Sale of the Sugarloaf asset announced January 2016 and expected to complete by end March 2016.

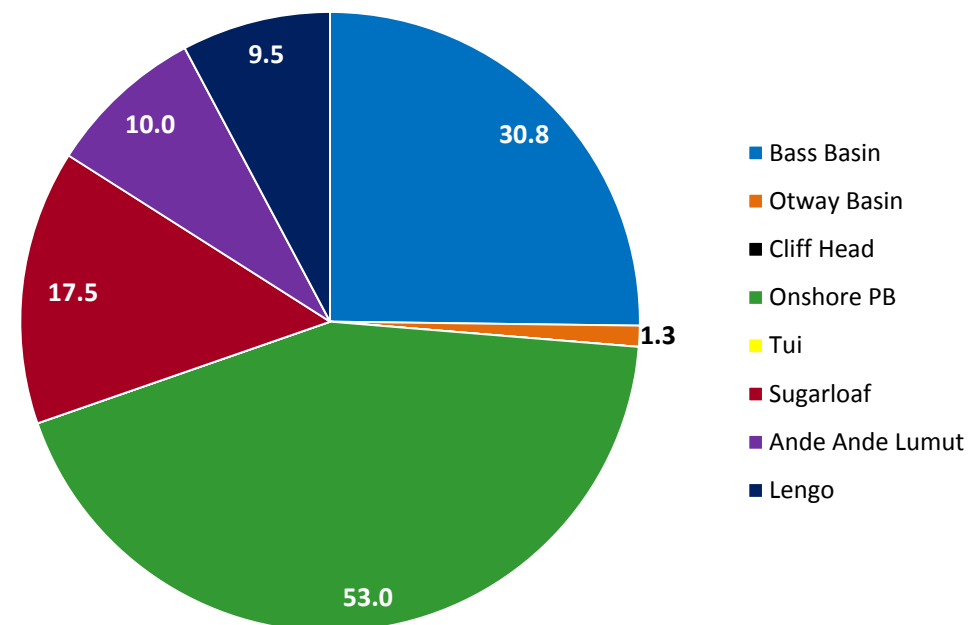
^ Reported reserves reflect AWE's net entitlement under the PSC terms and not 50% of gross recoverable oil
 Note: Numbers may not add due to rounding. To be read in conjunction with AWE's annual reserves statement previously published in its 2015 Annual Report.

AWE 2C Resources as at 31 December 2015



| <u>Project/Area</u> | <u>Equity</u> | <u>2C Resources (million boe)</u> |
|---------------------|---------------|---------------------------------------|
|---------------------|---------------|---------------------------------------|

| | | |
|-------------|-----------|------|
| Bass Basin | 35-40% | 30.8 |
| Otway Basin | 25% | 1.3 |
| Cliff Head | 57.5% | Nil |
| Onshore PB | 50-100% | 53 |
| Tui | 57.5% | Nil |
| Sugarloaf | 10%* | 17.5 |
| AAL | 50%^ | 10 |
| Lengo | 42.5-100% | 9.5 |



| | |
|--------------|--------------|
| Total | 122.1 |
|--------------|--------------|

* Working Interest 10%; Net Revenue Interest, post Royalty ~7.5%. Sale of the Sugarloaf asset announced January 2016 and expected to complete by end March 2016.

^ Reported reserves reflect AWE's net entitlement under the PSC terms and not 50% of gross recoverable oil

Note: Numbers may not add due to rounding. To be read in conjunction with AWE's annual reserves statement previously published in its 2015 Annual Report.

Volume

1 cubic metre = 1 kilolitre = 35.3 cubic feet = 6.29 barrels

1 megalitre = 1,000 cubic metres

Energy Value

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)

Barrel of Oil Equivalents (BOE)

Sales Gas: 6PJ = 1 MMBOE

LPG: 1 tonne = 11.6 BOE

Condensate: 1 barrel = 1 BOE

Oil: 1 barrel = 1 BOE

Decimal Number Prefixes

kilo = thousand = 10^3

mega = million = 10^6

giga = 1,000 million = 10^9

tera = million million = 10^{12}

peta = 1,000 million million = 10^{15}

| | | | |
|---------|--|---------|--|
| 1H | First Half | FY | Financial Year |
| 2H | Second Half | GM | General Manager |
| 2P | Proved and Probable Reserves | HCSS | High Cliff Sandstones |
| 2C | Contingent Resources | LPG | Liquefied Petroleum Gas |
| 2D | Two-dimensional | LTi | Lost Time Injuries |
| 3D | Three-dimensional | MLE | Mid Life Enhancement |
| AAL | Ande Ande Lumut | mmboe | Million Barrels of Oil Equivalent |
| AMI | Area of Mutual Interest | mmscf/d | Million Standard Cubic Feet of gas per Day |
| Bcf | Billion cubic feet | MDRT | Measured Depth below Rotary Table |
| BOE | Barrels of Oil Equivalent | p.a. | Per annum |
| Bbls | Barrels | P&L | Profit & Loss Account |
| Bopd | Barrels of oil per day | PCP | Previous Corresponding Period |
| CY | Calendar Year | PSDM | Prestack Depth Migration |
| COO | Chief Operating Officer | PJ | Petajoules |
| EBITDAX | Earnings before interest, tax, depreciation, amortisation and exploration expenses | PSC | Production Sharing Contract |
| FEED | Front End Engineering and Design | TD | Total depth |
| FID | Final Investment Decision | TJ | Terajoules |
| FPSO | Floating Production Storage and Offloading | TJ/d | Terajoules per day |
| | | WA | Western Australia |
| | | WHP | Well head platform |



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