

# AWE LIMITED

Euroz Conference Presentation  
16 March 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 and hard hats are near a blue barrel and some equipment. In the background, a large white cylindrical tank is visible under a black tent. The sky is filled with soft, colorful clouds from the setting or rising sun. The ground is dry and dusty.

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**
- **Delivering Sustainable Growth**
- **Outlook**





# Strategy and Highlights

FY2015-16  
Half Year Update

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

**AWE continues to target lower cost base and improved shareholder returns**



## 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

# Half year financial performance

<b>Total Production for 1H FY2016</b>	<b>2.9 million BOE, up 12% on pcp<sup>1</sup></b>
Sales Revenue <sup>2</sup>	\$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 <sup>3</sup>	\$44 million, down 25% on pcp
Average realised oil & condensate price <sup>2</sup>	\$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 million<sup>4</sup>

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**

# 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

# 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**



- 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



# Delivering Sustainable Growth



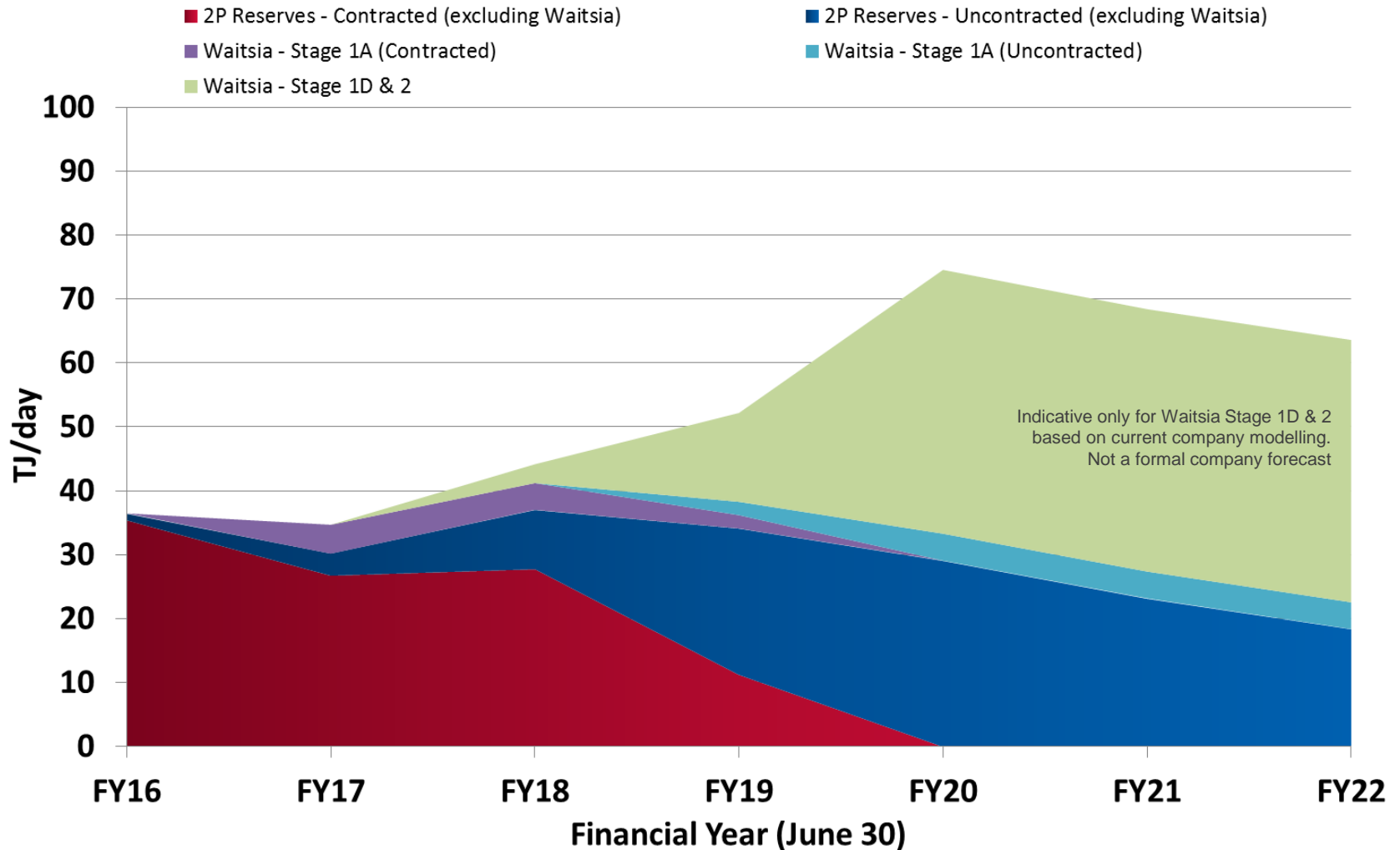
# Major developments reprioritised



- 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

# Capturing upside in domestic gas markets

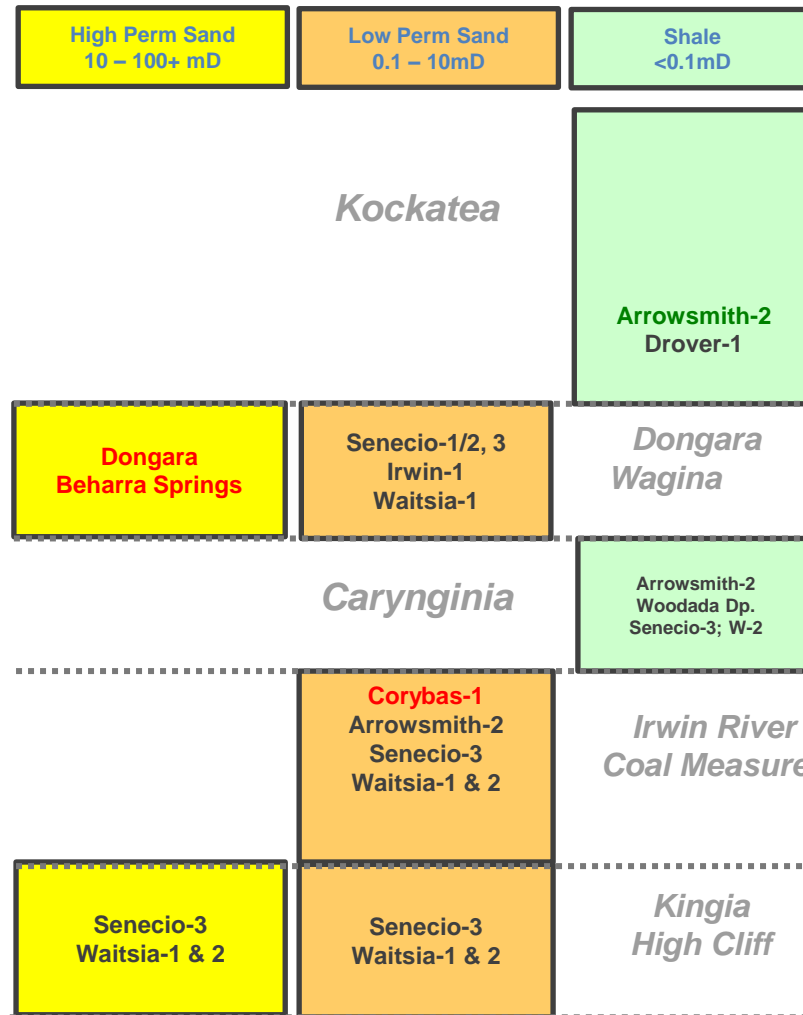
## AWE Net Australian Sales Gas Production Outlook (average TJ per day)



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



# Perth Basin exploration and appraisal success



Gas (Oil) Discoveries & Producing Gas Fields

**Waitsia-1 Summary Log**

MDRT	EPOCH	STRATIGRAPHY	Petroleum Systems Elements	LITHOLOGY	DESCRIPTION
2300	TRIASSIC				
2400					
2500		Kockatea Shale 2356 mMDRT	Regional Seal		Marine
2600					
2700					
2800	PERMIAN	Dongara Ss. 2743 mMDRT	Secondary Reservoir Target		Beach
2900		Wagina Ss 2763 mMDRT			Shoreface
3000					
3100		Carynginia Fm. 2911 mMDRT	Shale Gas Target		Marine
3200					
3300					
3400		Irwin River Coal Measures 3061 mMDRT	Secondary Reservoir Target		Fluvial to Deltaic
3500					
3600		Kingia Ss 3315 mMDRT	Primary Reservoir Target		Beach
3700		High Cliff Ss 3368 mMDRT			Shoreface
3800					
3900		Holmwood Shale 3490 mMDRT			Marine
TD 3507					

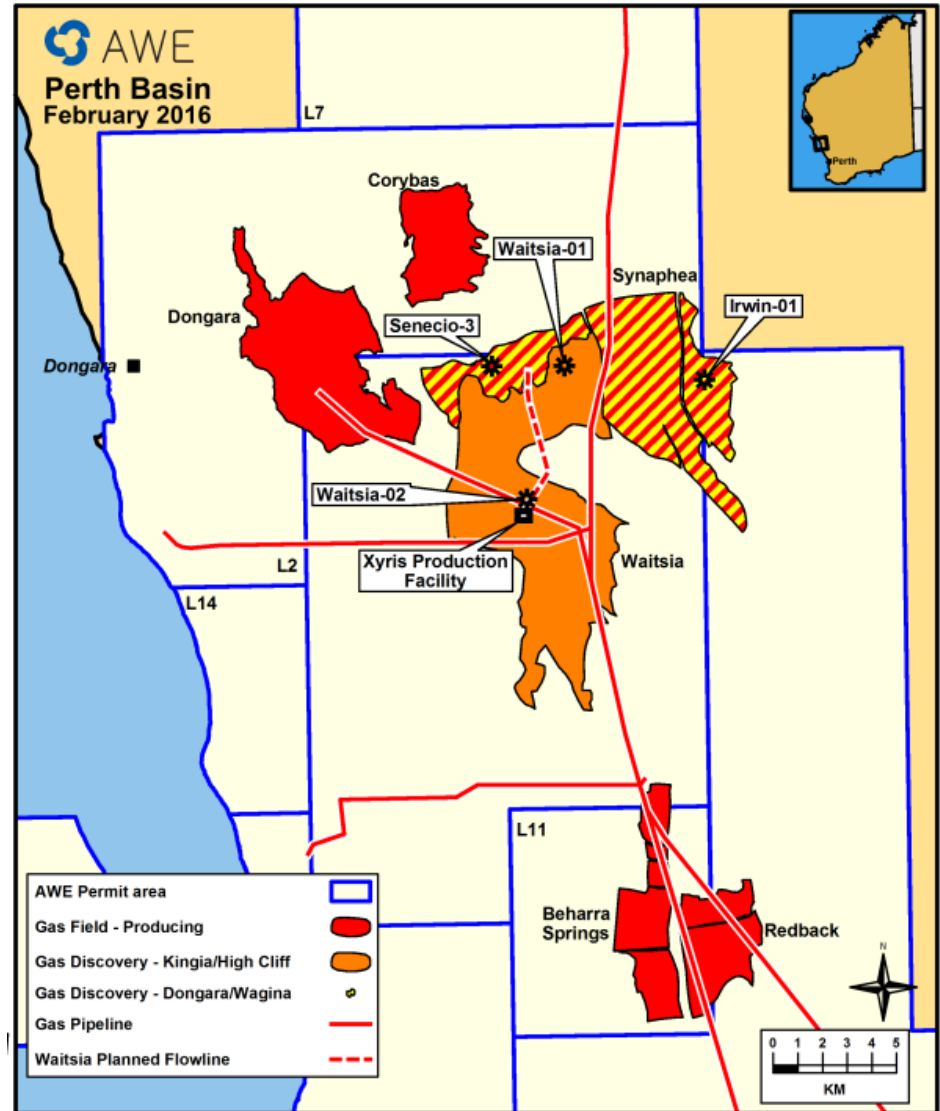
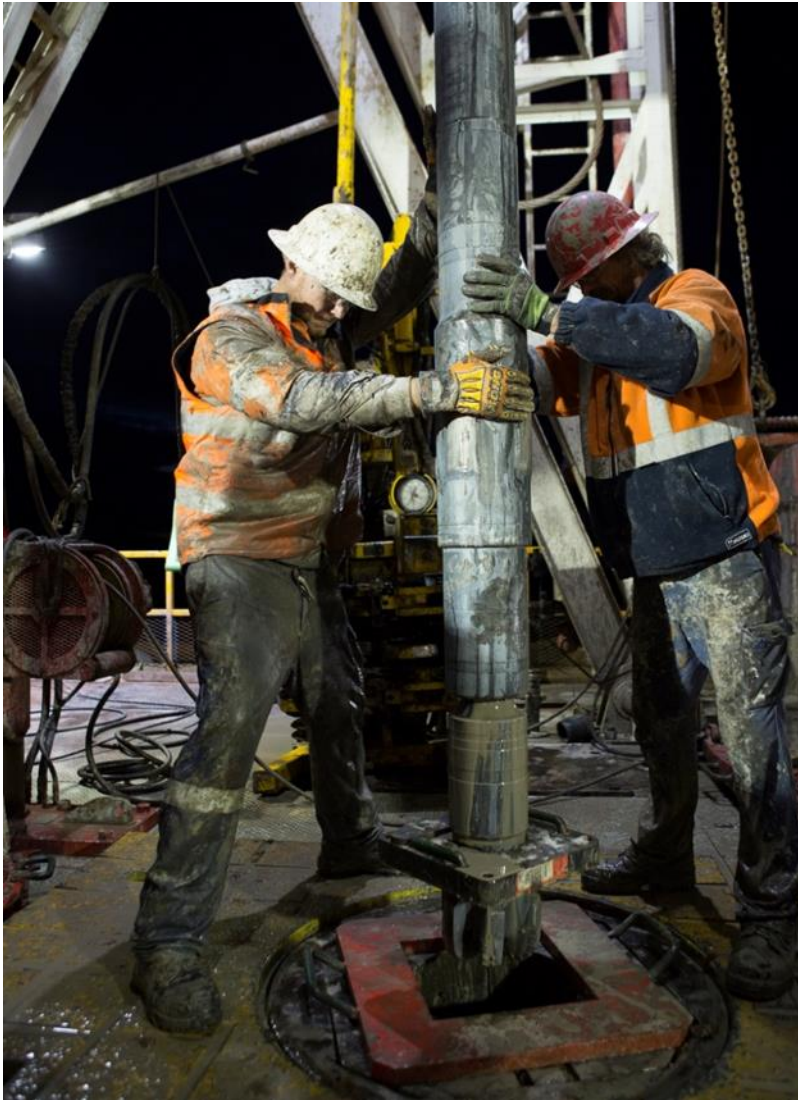
AWE has booked 67 mmboe (2P + 2C) for Waitsia/Senecio/Irwin/Synaphea

# Outstanding Waitsia-1 flow test results



Waitsia-1 flow tests total more than 50 mmscf/d combined; an excellent result

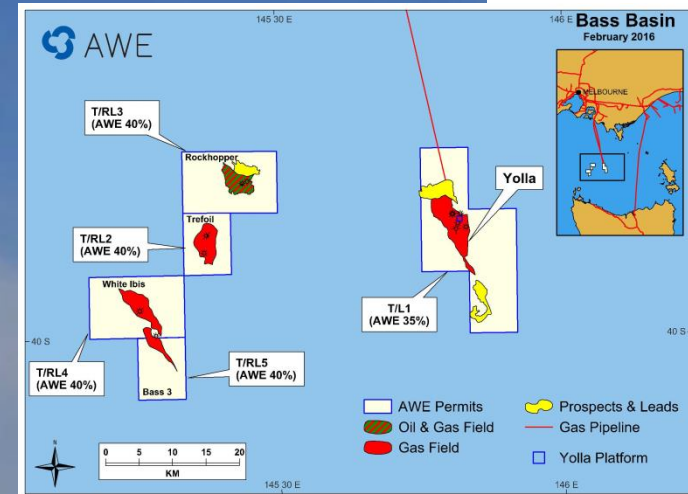
# Waitsia achieves FID for Stage 1A



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



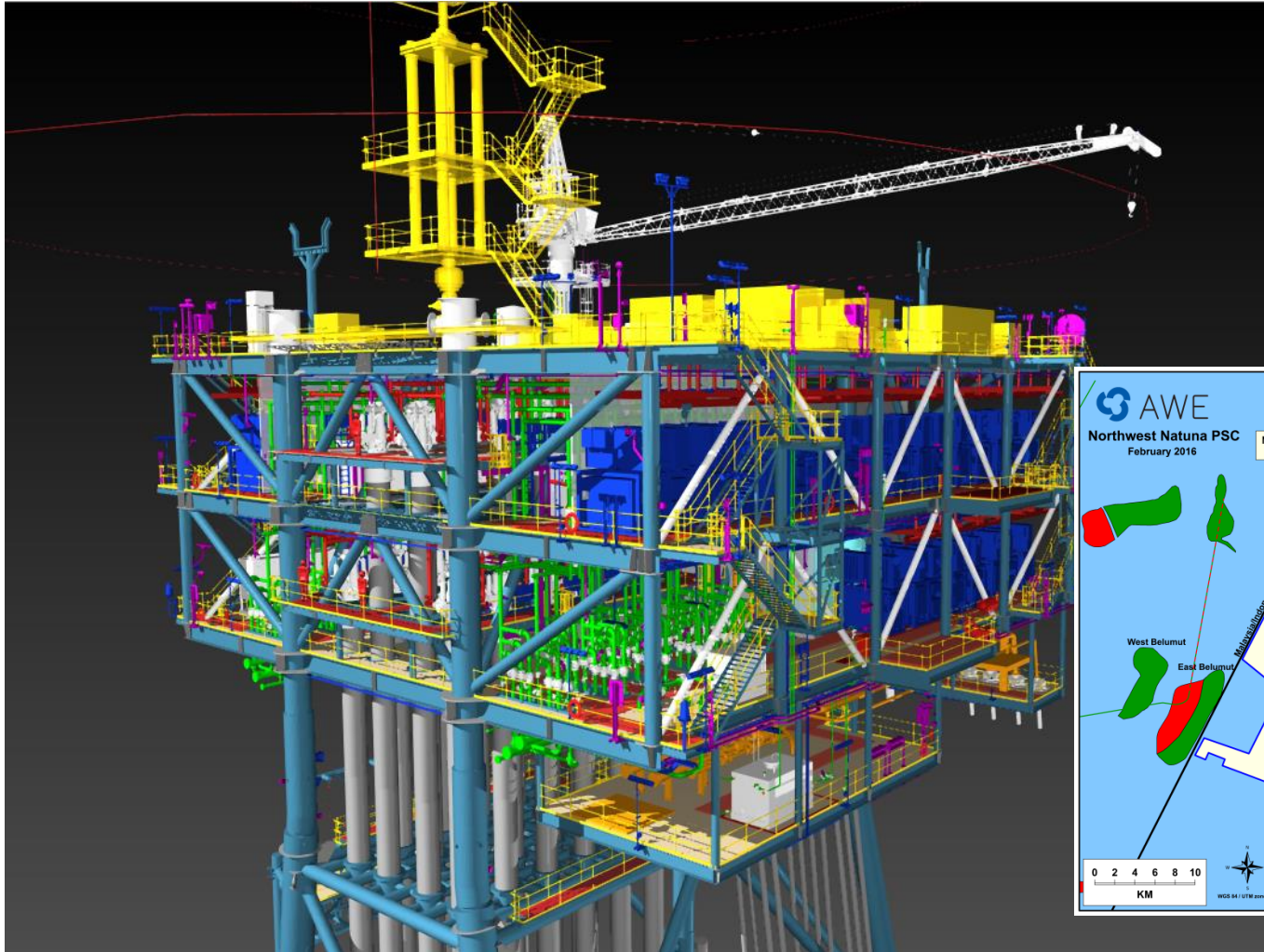
# BassGas begins final phase of MLE



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



## **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

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



- 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



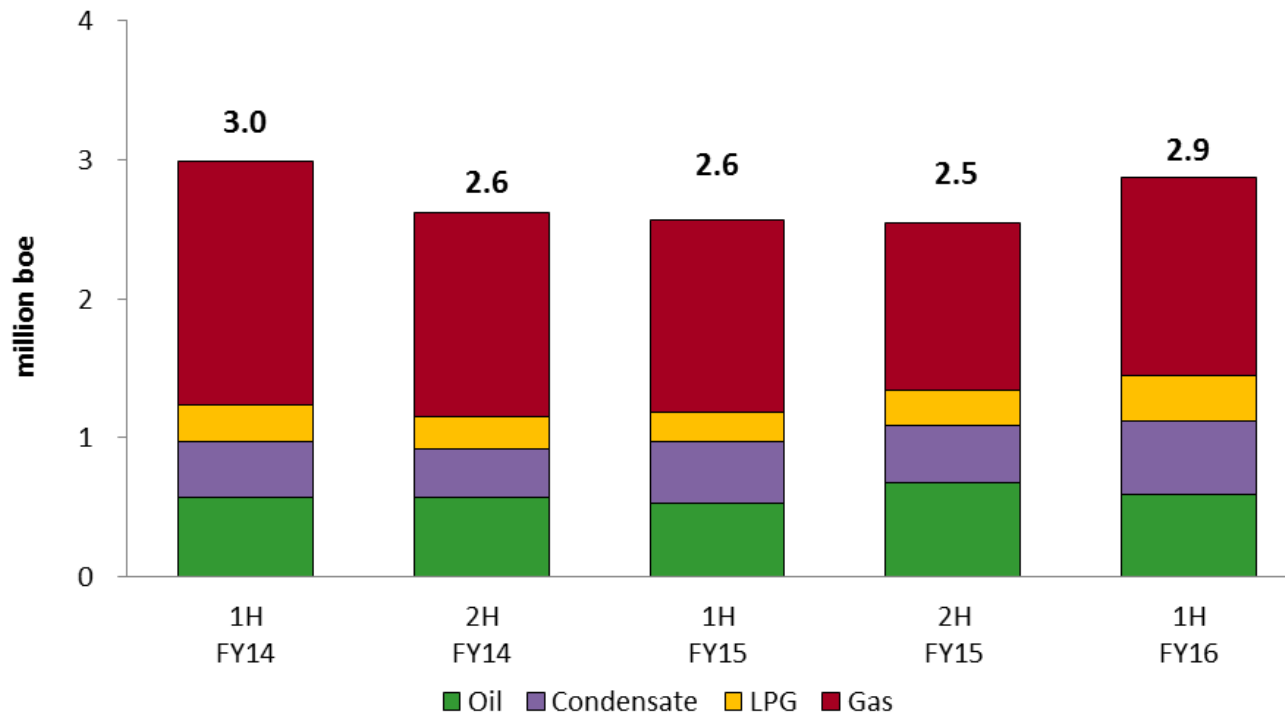
# Appendix

Financial Performance  
for the 6 months  
to 31 December 2015

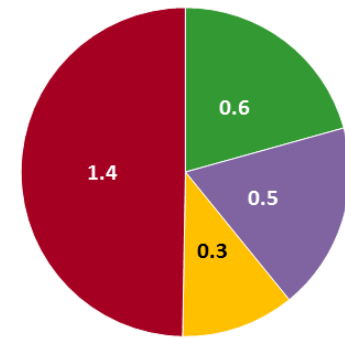


# Total production

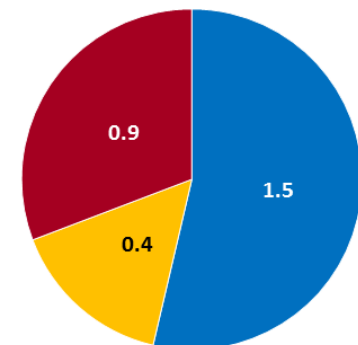
Production for last five consecutive half year periods



1H FY16 Production by Product  
MMBOE



1H FY16 Production by Geography  
MMBOE



■ Australia ■ New Zealand ■ USA

Note: Numbers may not add due to rounding

**Solid first half production with 50:50 gas to liquids**

# Production analysis – 1H FY2015-16

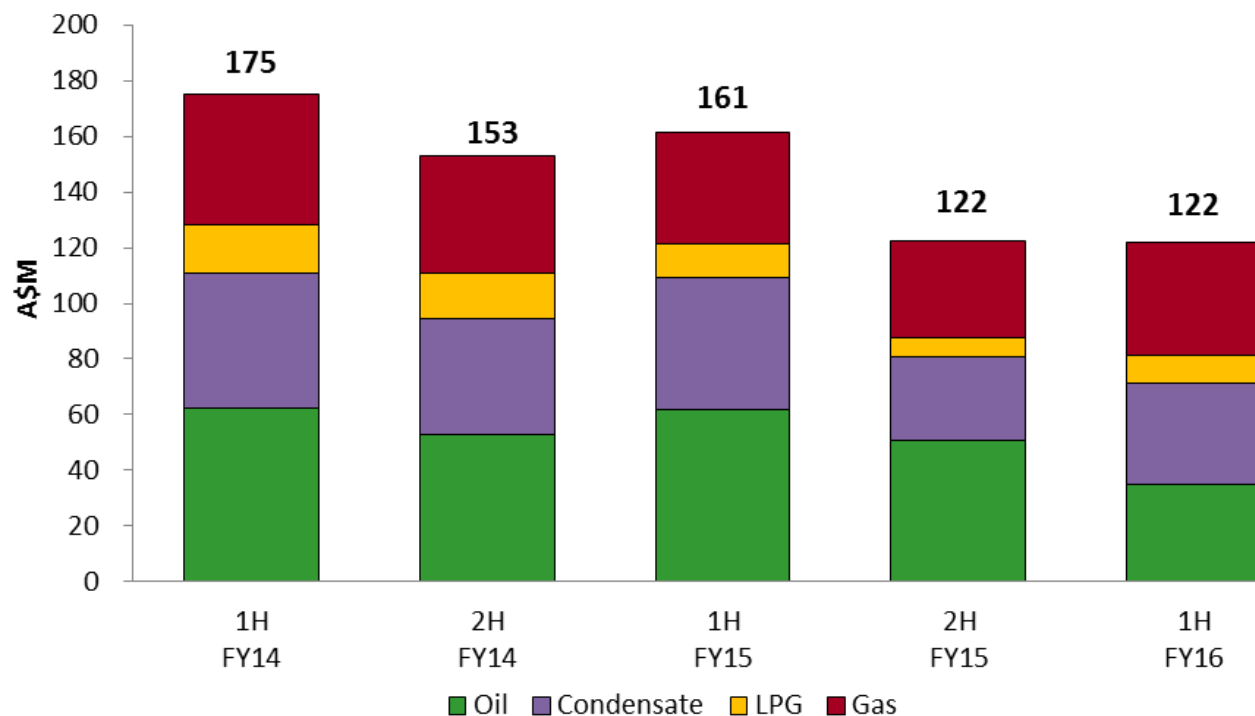
REGION AND ASSETS	1H FY15-16 Production	Percentage of total	1H FY 14-15 Production	Percentage of total
<b>Australia</b>	<b>'000 BOE</b>		<b>'000 BOE</b>	
Bass Basin (BassGas)	756	26%	622	24%
Otway Basin (Casino)	431	15%	579	23%
Perth Basin (Cliff Head, onshore*)	356	12%	412	16%
Taranaki Basin (Tui*)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

Numbers may not add due to rounding

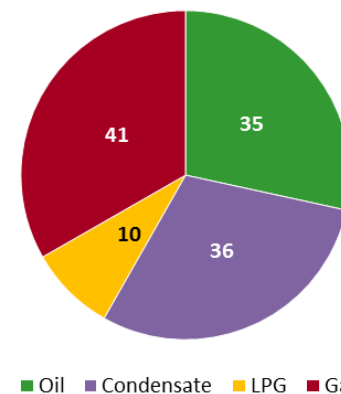
\* Denotes Operatorship (not all Perth Basin assets operated)

- 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

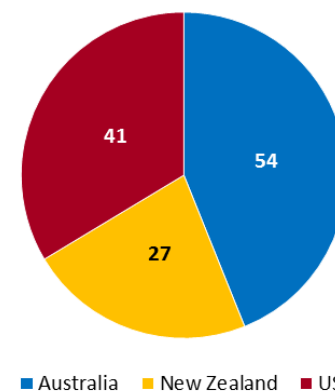
## Sales Revenue for last five consecutive half year periods



1H FY16 Sales Revenue by Product  
\$122 million



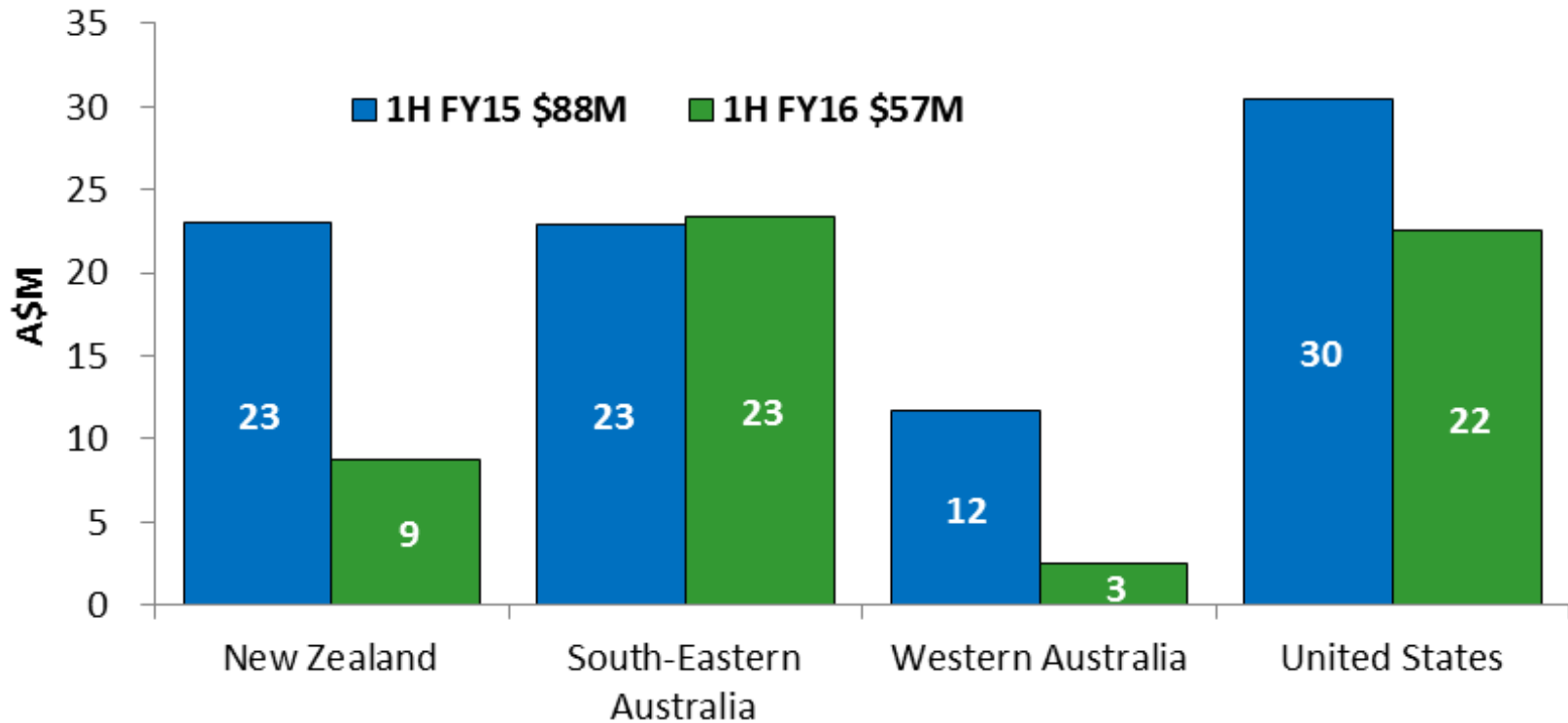
1H FY16 Sales Revenue by Geography  
A\$ million



Note: Numbers may not add due to rounding

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

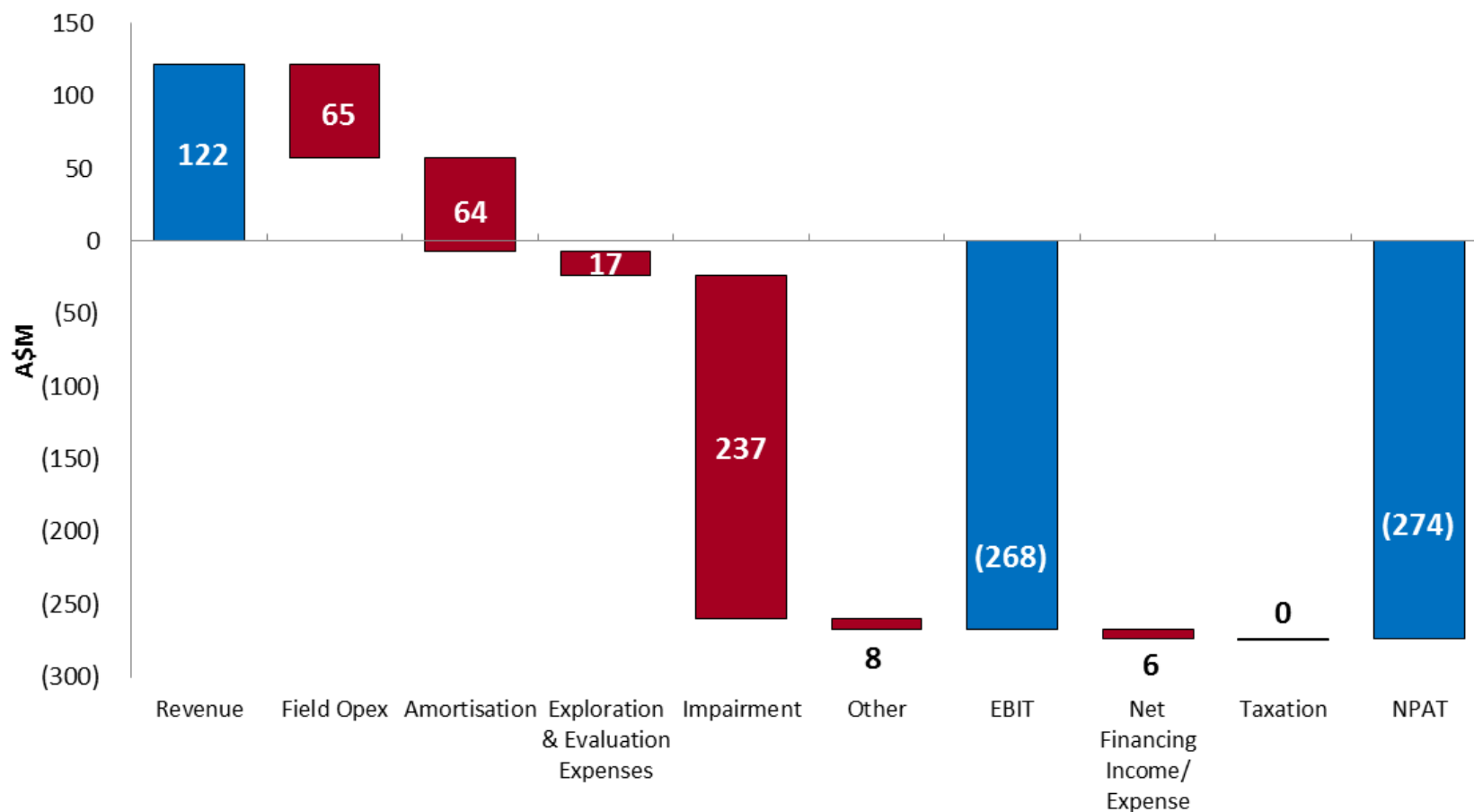
## Half Year Field EBITDAX



New Zealand and WA impacted by lower oil prices



## 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

# 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)
<b>Profit/(Loss) before tax</b>	<b>(273.5)</b>	<b>(102.0)</b>
Tax (expense)/benefit	(0.4)	40.3
<b>Statutory net profit/(loss) after tax</b>	<b>(273.9)</b>	<b>(61.7)</b>

# Underlying NPAT reconciliation

	Half Year to Dec 2015 \$ million	Half Year to Dec 2014 \$ million
<b>Statutory NPAT</b>	<b>(273.9)</b>	<b>(61.7)</b>
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	-
<b>Underlying NPAT <sup>(1)</sup></b>	<b>(62.9)</b>	<b>(13.9)</b>

Note (1): Includes exploration expense	16.8	27.8
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Underlying NPAT impacted by lower realised oil prices

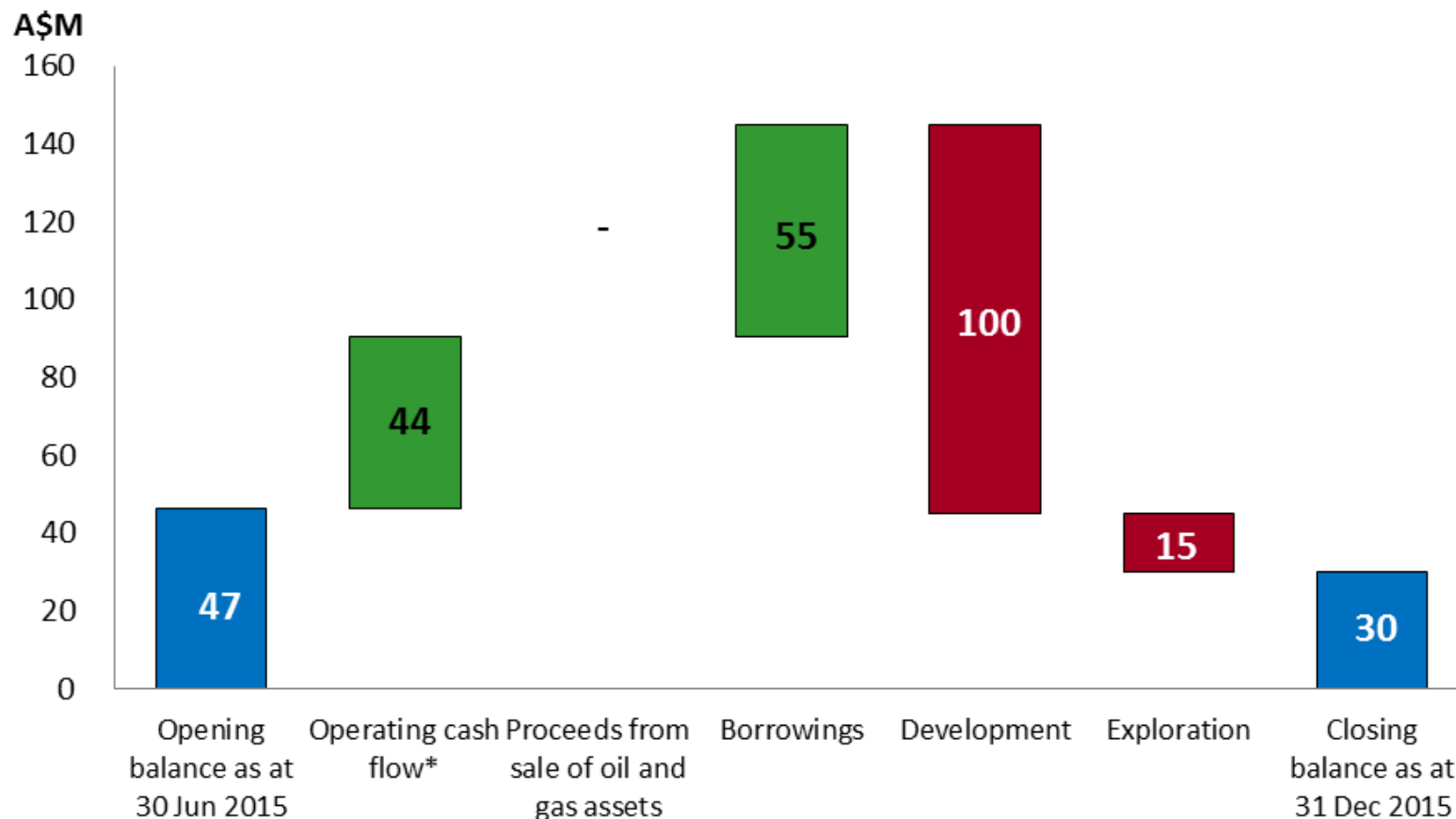
# Non-cash impairments

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
<b>TOTAL</b>	<b>\$236.8</b>	<b>\$191.3</b>

- 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 for half year period ending 31 December 2015



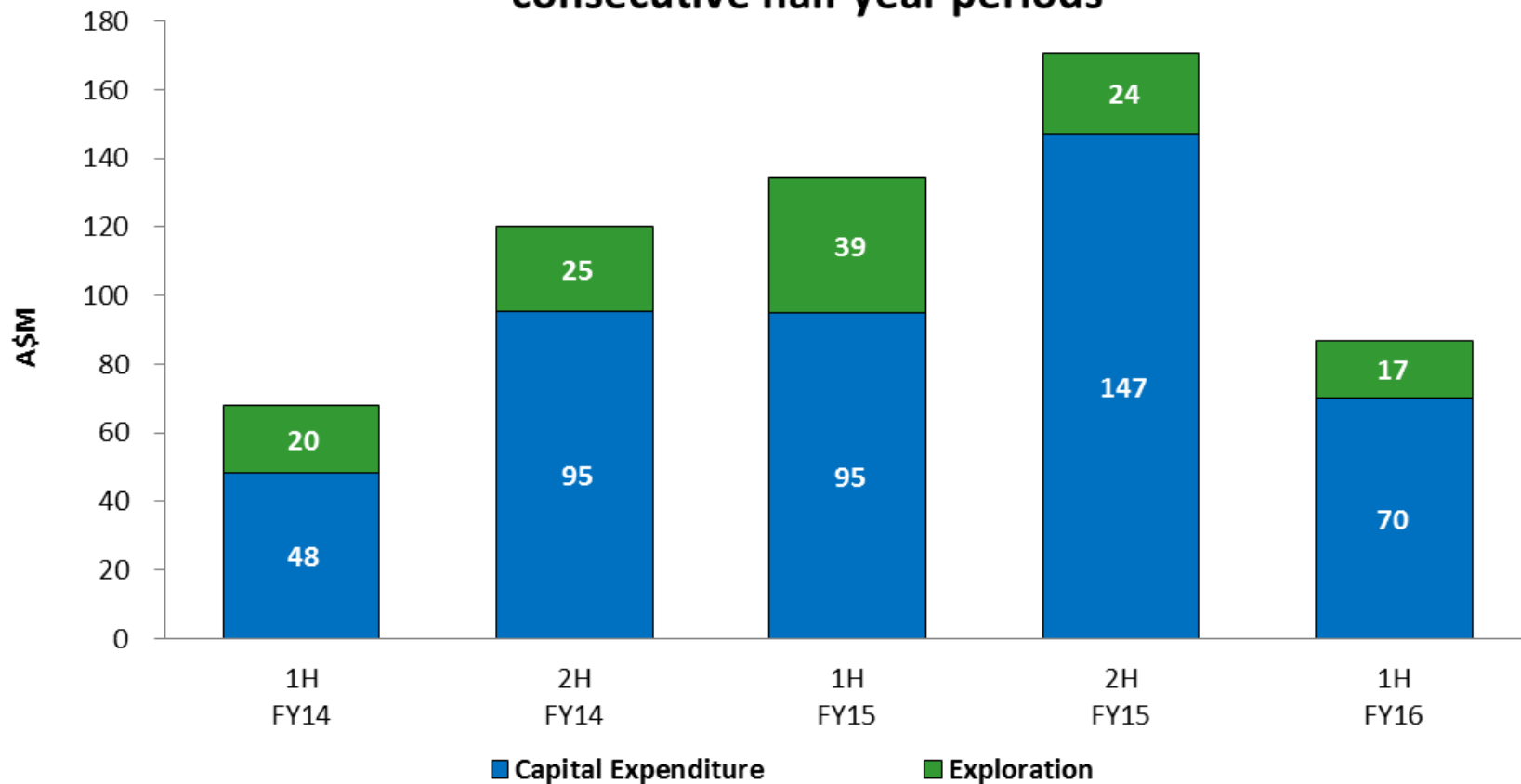
\*Cash flow from operating activities excludes exploration expenditure.

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

# Half year cash flow analysis

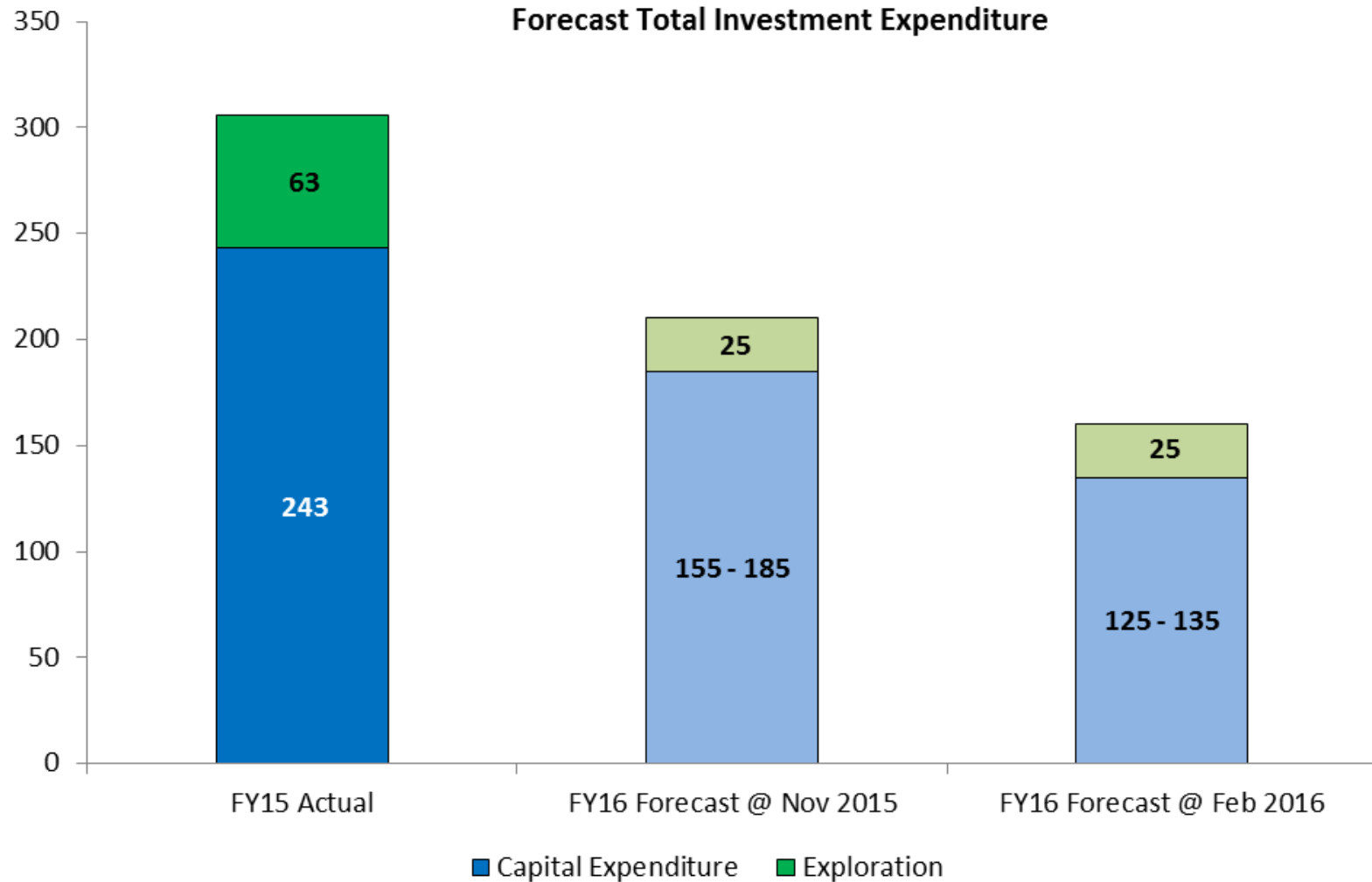
	Half Year to Dec 2015 \$ million	Half Year to Dec 2014 \$ million
<b>Opening cash</b>	<b>46.6</b>	<b>42.1</b>
Net cash flow from operations*	29.3	28.1
Proceeds from sale of oil and gas assets	-	64.0
Development spending	(99.9)	(85.2)
Purchase of land and buildings	-	(12.2)
Exploration spending initially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

## 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**

# 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)	-	-
<b>Net field contribution</b>	<b>57.2</b>	<b>8.8</b>	<b>23.4</b>	<b>2.5</b>	<b>22.5</b>	-	-
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)
<b>Segment Profit/(Loss)</b>	<b>(260.2)</b>	<b>(56.9)</b>	<b>(124.6)</b>	<b>(23.2)</b>	<b>0.1</b>	<b>(13.4)</b>	<b>(42.1)</b>
Unallocated income/(expenses)	(13.3)						
<b>Net profit/(loss) before tax</b>	<b>(273.5)</b>						



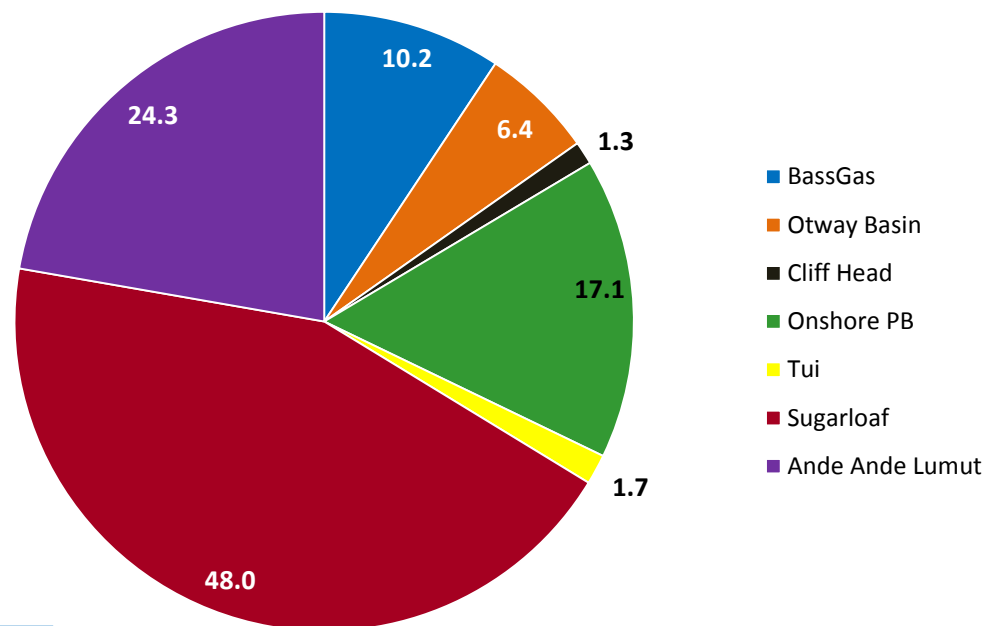
# Balance Sheet summary

Balance sheet item	31 Dec 2015 \$ million	30 Jun 2015 \$ million
<b>Assets</b>		
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
<b>Liabilities</b>		
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
<b>Net assets</b>	<b>564.0</b>	<b>806.2</b>

# AWE 2P Reserves as at 31 December 2015

## 2P Reserves

Project/Area	Equity	(million boe)
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
<b>Total</b>		<b>109.1</b>



\* 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

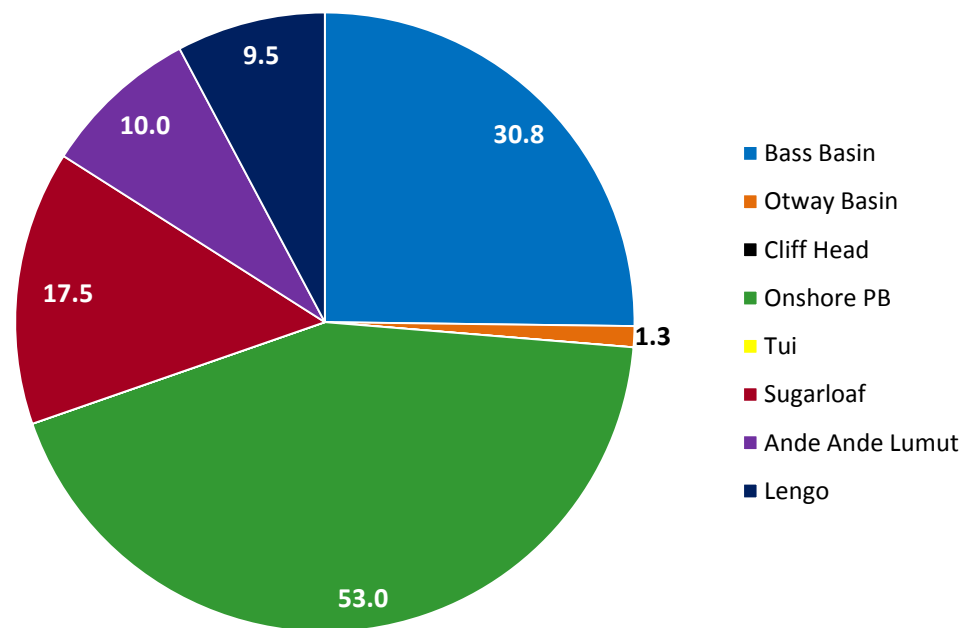
<u>Project/Area</u>	<u>Equity</u>	<u>2C Resources (million boe)</u>
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Bass Basin	35-40%	30.8
Otway Basin	25%	1.3
Cliff Head	57.5%	Nil
Onshore PB	50-100%	53
Tui	57.5%	Nil
Sugarloaf	10%*	17.5
AAL	50%^	10
Lengo	42.5-100%	9.5

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<b>Total</b>	<b>122.1</b>
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\* 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		
BOE	Barrels of Oil Equivalent	MDRT	Measured Depth below Rotary Table
Bbls	Barrels	p.a.	Per annum
Bopd	Barrels of oil per day	P&L	Profit & Loss Account
CY	Calendar Year	PCP	Previous Corresponding Period
COO	Chief Operating Officer	PSDM	Prestack Depth Migration
EBITDAX	Earnings before interest, tax, depreciation, amortisation and exploration expenses	PJ	Petajoules
FEED	Front End Engineering and Design	PSC	Production Sharing Contract
FID	Final Investment Decision	TD	Total depth
FPSO	Floating Production Storage and Offloading	TJ	Terajoules
		TJ/d	Terajoules per day
		WA	Western Australia
		WHP	Well head platform



# AWE LIMITED

Euroz Conference Presentation  
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