ASX Announcement

25 August 2016

AWE's FY16 results: solid operating performance and stronger balance sheet

SUMMARY OF RESULTS FOR THE 12 MONTHS TO 30 JUNE 2016

- **Total production of 5.0 mmboe in line with previous year**
- **Sales revenue of $202.4 million, including realised oil hedge gains, down 29%**
- **Operating costs reduced by 21% to $110.4 million and G&A expenses reduced by 41% to $10.0 million**
- **Field EBITDAX of $92.0 million, down 36%, reflecting the sale of Sugarloaf and lower realised oil and condensate prices**
- **Statutory net loss after tax of $363.0 million includes $242.5 million of non-cash impairments (after tax), with the majority advised to the market at the half year**
- **Underlying net loss after tax of $67.4 million after adjusting for non-recurring items**
- **Development expenditure reduced by 50% to $120.3 million and exploration expenditure reduced by 70% to $18.8 million**
- **Cash of $32.6 million and drawn debt of $14.8 million at 30 June**
- **Sale of Sugarloaf asset for US$190 million and Cliff Head for $3.2 million completed during the period. Sale of Lengo for up to $27.5 million announced**
- **Total 2P Reserves plus 2C Contingent Resources of 173.5 mmboe at 30 June**

AWE Limited (ASX: AWE) today announced its full year results for the 2016 financial year. Full year production remained steady at 5.0 mmboe and sales revenue of $202.4 million, including realised oil hedge gains of $11.8 million, was underpinned by long-term gas contract revenues of $69.4 million.

The company reported a statutory net loss after tax of $363.0 million, which included $242.5 million of non-cash impairments (after tax), with the majority advised to the market at the half year. After adjusting for non-recurring items, AWE's underlying net loss after tax was $67.4 million.

Managing Director and CEO, Mr David Biggs, said that although FY16 was a year of considerable change for AWE, the company achieved critical milestones, extracted significant cost savings, strengthened its balance sheet and delivered a solid operating performance in tough market conditions.

"Over the past 12 months, we have reshaped AWE to be leaner, more efficient and focused so that we can deliver the highly valuable Waitsia gas project and pursue other growth opportunities, including the AAL oil project, in this low oil price environment," he said.

“We have refreshed and refocused AWE’s management team and although overall staff numbers have decreased by around 30%, we have increased resourcing in critical areas including the Perth-based operating team responsible for the Waitsia project. This includes gas marketing and stakeholder relations programs, which remain high priorities for AWE,” Biggs said.

“Our operating performance was solid with improved production from BassGas offsetting the reduced contribution from Sugarloaf following the sale of that asset in March 2016. There were no Lost Time Injuries and no reportable environmental incidents.

“A key achievement in FY16 was strengthening the company’s balance sheet. A successful asset sale program allowed AWE to repay debt and significantly reduce future capex commitments and abandonment liabilities. We ended the financial year in a net cash position of $18 million and, subsequent to year end, we reduced our corporate debt facility limit by 25% to $300 million, reflecting our intention to utilise low debt levels going forward,” he said.

“The highlight of the year was undoubtedly the multiple successes at the Waitsia project in Western Australia’s onshore Perth Basin. Flow test results from Waitsia-1 were exceptional and a combined flow rate of 50 mmscf/d was recorded from two zones in October 2015. We achieved FID for Stage 1A production in January 2016, and gross 2P Reserves were increased by 93% to 344 Bcf (AWE share 172 Bcf or 30.4 mmboe) in June 2016.

“Earlier this month, we commenced commissioning of the Xyris Production Facility and successfully introduced Waitsia gas into the Parmelia pipeline on schedule. The concept select process for the next development stage of the Waitsia gas field has commenced and two new appraisal/production wells are planned for calendar year 2017.

“Work on the final phase of the MLE project at BassGas continued and the Operator is forecasting completion before the end of FY17. While this is expected to deliver enhanced production in FY18, remaining BassGas reserves were reduced by 4.5 mmboe, after production, during the year based on the Operator’s assessment of lower observed reservoir performance from the Yolla-5 and Yolla-6 wells,” Biggs said.

“The AAL oil project continued to make good progress, with the G-sand appraisal well being the primary focus. Both the G-Sand and K-Sand reservoirs were successfully intersected and preliminary laboratory testing of recovered oil samples indicated lower levels of impurities than expected, which should have a positive economic impact on the project including potentially lower capex and higher crude prices. FID for the project was extended into the second half of calendar year 2017 to allow contractors bidding on the FPSO and WHP to submit revised bids that conform to Indonesian regulatory changes.

“Our exploration spend was reduced by 70% during the year. With many in the industry forecasting a return to higher oil prices, AWE has commenced preparations to farm out portions of its 100%-owned offshore exploration blocks in the Carnarvon and Perth Basins.

“The sales of Sugarloaf and Cliff Head were completed during the year and the sale of Lengo has been executed, subject to Indonesian government approval. While the sale of Sugarloaf, in particular, will result in reduced production and revenue in the year ahead, the substantial reduction in capex commitments has the company well positioned in the low oil price environment to progress the Waitsia and AAL projects and pursue new growth opportunities,” Biggs concluded.

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

Financial Summary

The following tables provide an overview of the production and financial performance of AWE as detailed in the company's Full Year Consolidated Financial Report. It should be noted that continuing and discontinued operations have been aggregated in these tables.

Overview of consolidated entity	30 June 2016 mmboe	30 June 2015 mmboe	Variance %
Production			
Gas	**2.59**	2.59	0%
LPG production	**0.52**	0.46	14%
Condensate production	**0.84**	0.85	(1%)
Oil	**1.07**	1.20	(11%)
Total production	**5.02**	5.09	(1%)

Overview of consolidated entity	$million	$million	%
Sales revenue	**202.4**	283.7	(29%)
Production costs and royalties	**(110.4)**	(140.5)	(21%)
Field EBITDAX [(1) & (2)]	**92.0**	143.2	(36%)
Exploration and evaluation expense	**(18.2)**	(37.6)	(52%)
Amortisation	**(96.6)**	(119.1)	(19%)
Net financing expense	**(14.2)**	(11.9)	20%
Impairment	**(291.8)**	(246.3)	18%
Fair value adjustment on held for sale assets	**(2.1)**	-	-
Other income / (expense)	**(14.2)**	(37.8)	>100%
Gain on disposal of discontinued operations	**18.8**	-	-
Statutory net loss before tax	**(326.3)**	(309.5)	5%
Tax (expense) / benefit	**(36.7)**	79.3	>(100%)
Statutory net loss after tax (NPAT)	**(363.0)**	(230.2)	58%
Cash flow from operating activities	**70.3**	62.2	13%

An underlying loss of $67.4 million was incurred for the financial year 2016. To assist readers reconcile the underlying NPAT, the following table provides a reconciliation of NPAT and the impact after adjusting for non-recurring items.

Reconciliation of underlying NPAT	30 June 2016 $million
Statutory NPAT	**(363.0)**
Less non-recurring items (after tax):	
Impairment	242.5
Restructuring costs	5.8
Perth basin restoration costs	6.2
Fair value adjustment on held for sale assets	2.1
Gain on divestment of Cliff Head	(6.7)
Gain on divestment of Sugarloaf	(25.2)
De-recognition of tax losses and deferred tax assets	65.9
Other non-recurring costs	5.0
Total non-recurring items	**295.6**
Underlying NPAT[(2)]	**(67.4)**

1. Sales revenue less production costs and royalties. Refer note 10 of AWE's Financial Report for information by segment.
2. AWE's Financial Report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS). The underlying (non-IFRS) profit / (loss) 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 / (loss) reflects a more meaningful measure of the consolidated entity's underlying performance

Guidance
The Company has provided guidance for financial year 2017. Guidance was prepared using hedged Brent oil positions to 30 June 2017 and AUD/USD exchange rate of 74 cents.

Key Indicator	Unit	FY17 Guidance
Oil and gas production	mmboe	2.7 to 3.0
Sales revenue	$m	100 to 120
Development expenditure	$m	50 to 60
Exploration expenditure	$m	5

Annual General Meeting
AWE will hold its Annual General Meeting at the Museum of Sydney, located at the corner of Phillip and Bridge Streets, Sydney, NSW 2000, on Wednesday, 16 November 2016 commencing at 10am.

Summary of Abbreviations

$m	million dollars
2C	Contingent Resources
2P	Proved and Probable Reserves
AAL	Ande Ande Lumut oil project
BOE	Barrels of Oil Equivalent
EBITDAX	Earnings Before Interest, Tax, Depreciation and Exploration expenses
FID	Final Investment Decision
FPSO	Floating Production, Storage and Offloading vessel
FY	Financial Year
mmboe	million barrels of oil equivalent
mmscf/d	million standard cubic feet of gas per day
NPAT	Net Profit After Tax
WHP	Well Head Platform

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

Reserves and Resources
The reserves and contingent 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 evaluator Dr. Suzanne Hunt, General Manager WA Assets and Engineering at AWE. Dr. Hunt, a Petroleum Engineer with a Ph.D. in Geomechanics, is a member of the Society of Petroleum Engineers and has over 18 years’ experience in the petroleum sector in geoscience, field development planning, reserves estimation, reservoir production and facilities engineering. Dr Hunt has consented in writing to the inclusion of this information in the format and context in which it appears.

AWE reserves and contingent resources are estimated in accordance with the following:

- SPE/AAPG/WPC/SPEE Petroleum Resources Management System guidelines of November 2011;
- SPEE Monograph 3 “Guidelines for the Practical Evaluation of Undeveloped Reserves in Resource Plays”;
- ASX Disclosure rules for Oil and Gas Entities, Chapter 5; and
- ASX Listing Rules Guidance Note 32.

AWE applied deterministic methods for reserves and contingent resource estimation for all assets. The reserves were estimated at the lowest aggregation level (reservoir) and aggregated to field, asset, basin and company levels. Estimated contingent resources are un-risked and it is not certain that these resources will be commercially viable to produce.

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

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.

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

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