



AWE's AI Meashar-2 drilling update

AWE Limited reports that as at 0600 hours Yemen time on October 27, 2010 (-8 hours EDST) the AI Meashar-2 appraisal well in Block 7, Yemen, had drilled to a measured depth of 1,716 metres and was preparing to run 13-3/8" casing, as planned. Progress for the week was 605 metres.

AI Meashar-2 is the first appraisal well of the AI Meashar-1 oil discovery, which was drilled in early 2010. The discovery encountered oil in the fracture basement; however oil flow rates were limited due to potential reservoir damage which was incurred while drilling.

The appraisal well will be drilled from the existing AI Meashar-1 well pad and deviated parallel to the discovery well. The well is planned to be drilled using Managed Pressure Drilling, which is designed to minimise damage from drilling fluids in the reservoir. The well will be drilled to a planned total measured depth of 3,740 metres.

The participants in Block 7 are:

| | |
|---|---------------|
| ARC Energy Holdings Ltd* | 21.25% |
| Oil Search (ROY) Ltd (Operator) | 34.00% |
| Kuwait Foreign Petroleum Exploration Co. (Aden) Ltd | 21.25% |
| Yemen General Corporation for Oil and Gas | 15.00% |
| Mitsui E & P Middle East B.V | 8.50% |

* A wholly owned subsidiary of AWE Limited

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

Bruce Wood
Managing Director
AWE Limited
Phone: +61 2 8912 8000

Garry Marsden
Corporate Development Manager
Mobile: 0400 040 106
garry.marsden@awexplore.com

